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October 1981

# MART

The Retailer's Magazine of Electronics/Appliance Profit Improvement

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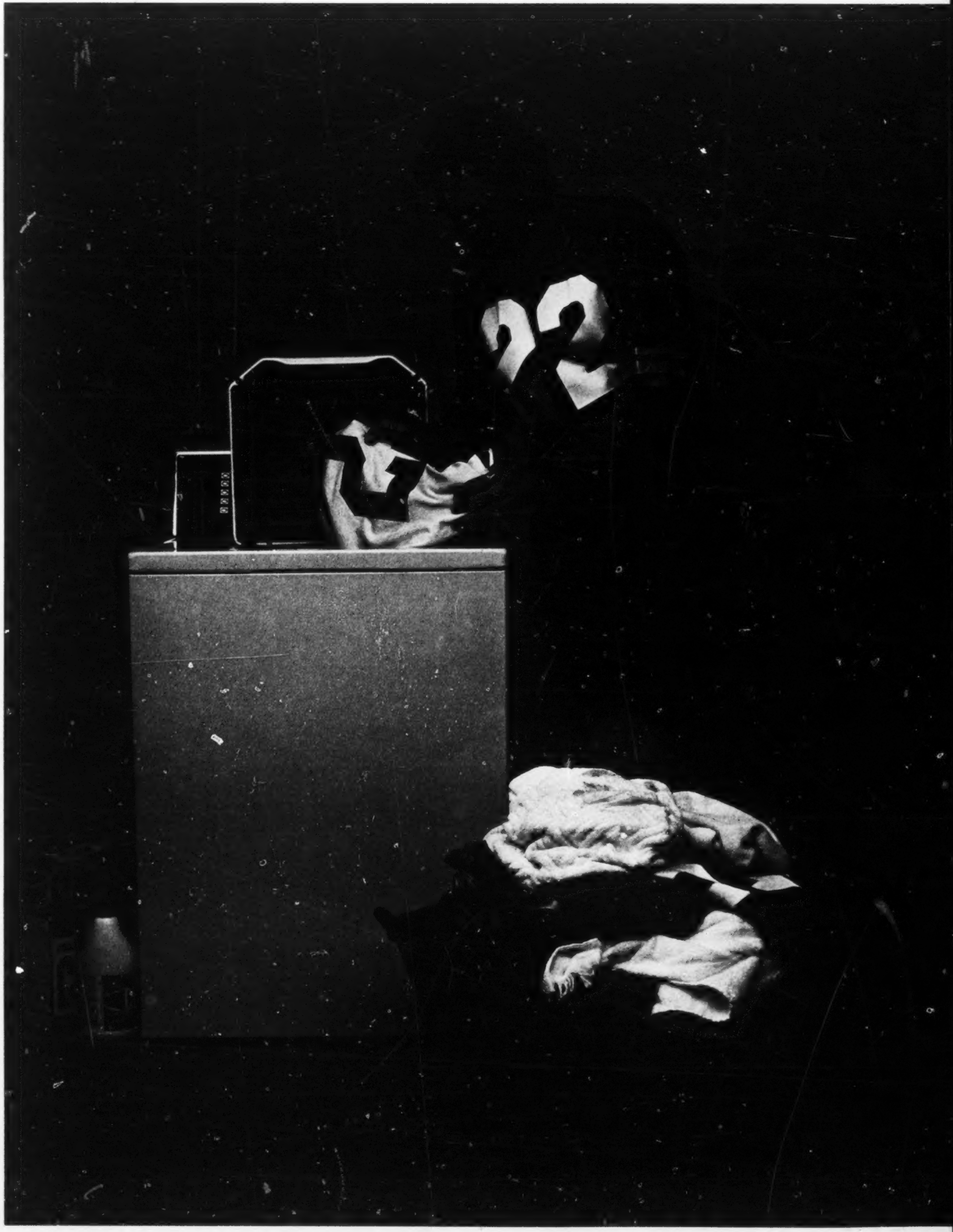

# MART

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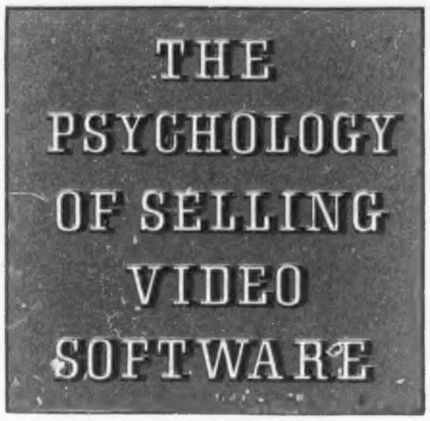
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OCTOBER 1981

# MART/FOCUS

# RANGES

# Changing lifestyles force range suppliers to produce a variety of cooking appliances

## Consumer preferences are leaning toward speed and versatility

Make no mistake about it: some dramatic changes will take place in the cooking-appliance business in the next decade.

Changes in society, changes in family structure and size, changes in home design, and higher home construction costs will all have a marked impact on the appliance industry. And perhaps the impact will be felt most strongly by cooking-appliance retailers.

As more diverse lifestyles evolve in our society, it is becoming increasingly obvious that no one cooking appliance will satisfy all segments of the society.

Although a large segment of the population fits the traditional definition of a family—a husband and a wife with three or more children—a large and growing number of alternative family formations are becoming evident.

- More women are entering the workplace, and thus logically leading to more working wives and more two-income families.
- More couples are deciding not to have children or are limiting their families to one or two children.
- More single-person households are being established than ever before. This segment is the fastest-growing category in the population.

At the same time, home-building costs are climbing out of the reach of many consumers, so the size of the typical home is being scaled-down to keep costs down. The kitchen is taking on more importance in the floor plan of the scaled-down contemporary American home.

The American dream—a single-family home with a private yard—is more a dream and less a reality than at any time in our history. Apartments, condominiums, and other multiple-household homes with shared yards, and shared maintenance responsibilities are becoming standard.

Richard Roza, vice-president marketing, Hardwick Stove told MART that with the cost of new and previously owned homes continuing to climb, and ultra-high interest rates prevailing, consumers are being forced into apartments and condominiums. Since floor space is limited, Roza feels gradually the size of cooking appliances will have to be scaled down to fit into the new living spaces. "We see a growing need for compact units with top-end features to fit into the smaller homes," he said.

A huge number of new household formations will occur in the next decade, and these households will all need appliances. These new householders, coupled with replacement customers, ensure a huge market for cooking appliances. But the difficult question for marketing executives is, "What kind of appliances will the consumers of the future want?"

Some of the answers are obvious.

With more working wives and less time for meal preparation, more and more families will want quick-cooking alternatives to the traditional gas or electric range. And certainly microwave ovens and microwave ranges will be one area of dramatic growth over the next few years.

Executives of microwave-oven manufacturing companies say that while growth in the countertop microwave oven market will continue to be dramatic, growth in the combination microwave/range market will be faster.

**MART**

**MONEY MAKER**

**'Retailers are doing themselves and their customers a favor when they step customers up to more expensive, but more efficient, cooking appliances. It's often difficult to convince a customer to pay extra for a feature. But if you can demonstrate that the extra money will be paid back in a relatively short time with reduced operating costs, you can often make the bigger-ticket sale.'**

***—Romano Conti, Tappan***

Don Johnstone of Litton Microwave predicts that by the mid-1980s microwave-range sales will grow to about 16 percent of the market (currently they are less than 10 percent). He also sees a growing demand for over-the-range microwave ovens.

And Romano Conti, vice president of marketing for Tappan, feels the combination unit, a gas or electric range with a microwave oven on top, will become a more important market factor as kitchen space gets smaller.

Hoyle Rymer, president of Magic Chef, added that the combination microwave range, either in a conventional-cooking, single-cavity configuration, or in an over-under configuration, will eventually dominate the range market.

Jim West, vice president and general manager of General Electric's range products division, also feels the combination range will be the trend of the future, although he feels strongly that electric/microwave combos will be the main direction the technology will take.

"Microwave technology will blend with the electric range," West told MART.

As consumers become more comfortable with microwave ovens, he added, the microwave unit will move into the primary cooking-appliance category. In fact, West commented, "it could happen that in 1981, for the first time, microwave ovens could outsell combined gas- and electric-range sales."

Microwave ovens have grown to a point where unit sales are almost equal to the combined unit sales of both gas and electric ranges.

Convection ovens are a big question mark at this point. While convection offers some of the speed of a microwave oven, for most foods it is not as fast as a microwave. Convection-only units have not succeeded in a countertop configu-

*[Continued on page 4-S]*

# Range manufacturers cope with changing consumer lifestyles

*[Continued from page 3-S]*

ration as manufacturers had predicted they would. But those producers in the business say that for the things it does well—primarily baking and roasting—the convection oven can't be beat.

In addition to the benefit of the speed of microwave and convection cooking, both cooking methods provide energy savings over conventional ways of cooking. And over the next few years energy costs are expected to continue to rise dramatically, making any energy-saving feature more desirable.

The balance of the gas- and electric-range market—which for the last few years has been heavily weighted toward the electric-range side of the scale—will fluctuate with the price and availability of gas.

According to Jim Ruberti, vice president of marketing for Brown Stove Works, if all factors were equal more consumers would prefer to cook on a gas range than an electric range.

But for the last few years in most areas of the country consumers have had serious questions about gas pricing and availability. Some areas of the country have had to impose restrictions on new gas hookups. But some evidence now exists that the gas-range market is rebounding. "Two years ago, everyone said the gas range business was dead," Ruberti told MART. "But assuming competitive pricing and availability, the market for gas ranges will grow."

Rymer of Magic Chef told MART there is a shift toward gas. In particular, he said, the number of gas ranges with self-cleaning features is growing faster than most segmentsof the range market.

Conti of Tappan was even more optimistic in his evaluation of the gas-range market. He expects that in the next few years the gas range market will grow at a much faster rate than electric, because he expects the price of gas to be significantly lower than electric-range operating costs.

Electric-range producers are predictably not so optimistic about the future of the gas-range business. After deregulation of gas prices, they say, the cost of gas could make owning gas appliances prohibitively expensive.

Over the next few years, if the housing market rebounds as expected, electric ranges will probably get the lion's share of new business.

**MART**

**MONEY MAKER**

**'Dealers should have a variety of product on display on the retail sales floor, but not an overwhelming variety of product. Many of the best appliance merchants carry two or three lines of ranges and keep a number of models from each line on the floor. Customers can get confused by too many lines and models. Offer variety, but don't over-do it.'**

***—Jim Ruberti,***
***Brown Stove Works***

Ken Kaminski, merchandising manager of ranges for Whirlpool, believes electric ranges will continue to lead gas ranges in sales. New-home construction will include primarily electric ranges, he said. Gas ranges will be relegated primarily to replacement sales.

While microwave-related products such as combination ranges and built-in microwave ovens will experience the greatest growth over the next few years, he said, the free-standing electric range will stabilize at about 2.5 million units a year.

Jim West of General Electric's range products division agrees that the electric range's share of the market is growing.

"We foresee a long-term shift from gas to electric," he commented. "Until recently, 60 to 65 percent of all ranges sold were gas; now, 85 percent of all ranges being put into new homes are electric. Replacement sales are increasing in percentage in conversion from gas to electric, and there is a marked reduction of replacements from gas to gas."

Interchangeable versatile cooktops are one of the most popular recent additions to the cooking-appliance market, and a number of suppliers now offer the cooktops. Most offer not only conventional cooking elements, but also griddles, ceramic cooktops, barbecue grills, rotisseries, and the like. A number of the units now have self-contained, easy-to-clean ventilation systems that allow indoor barbecuing without outside ventilation.

Also new in the cooktop area is the induction cooktop. At the present time the induction field has relatively few suppliers, and the product is very expensive. But the clean lines and esthetics of the product have made it popular with some high-end home builders, and an expanding market exists for the product in kitchen remodeling.

With economies of scale and a decrease in the cost of electronic components, the cost of induction cooktops will come down somewhat in the next few years. And when the major range suppliers get into the business, the price will come down even faster.

Manufacturers already in the business say induction units have more to offer than mere esthetics. Jack Howser, manager of product planning of Roper Sales Corp., told MART that because the product begins to heat immediately when the cooktop is turned on, the unit is an energy saver. Induction cooktops are safer to use, he said, and spills won't bake onto the cooking surface, because the surface never gets hot.

Manufacturers agree that the ceramic cooktop is on the way out, despite the obvious esthetic appeal of the units. The cooktops have proven unpopular because they are not as efficient as conventional surface units, and they are difficult to clean.

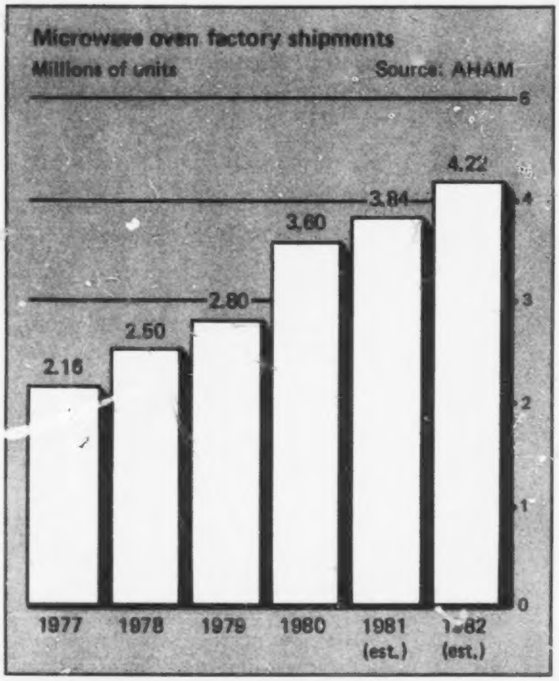
The overall cooking-appliance market is healthy, and it will get healthier when the homebuilding market improves. Consumers are demanding more versatility in their cooking appliances, and manufacturers are providing a wide assortment of versatile cooking appliances.

And despite the dire predictions and forecasts made over the years by microwave oven manufacturers, the microwave oven will not replace the conventional range. According to Jim Ruberti of Brown Stove, the microwave oven may serve to lengthen the life of a conventional oven, and in that regard may affect the replacement cycle of conventional ranges.

According to Roza of Hardwick, the purchase and use of a microwave oven might allow the consumer to postpone the purchase of a conventional range. But for the immediate future, a strong market exists for both conventional ranges and microwave ovens. ■

JOHN FOSTER

# The changing mix: charting the trends in



## Microwave ovens continue to increase at the expense of both gas and electric cooking appliances

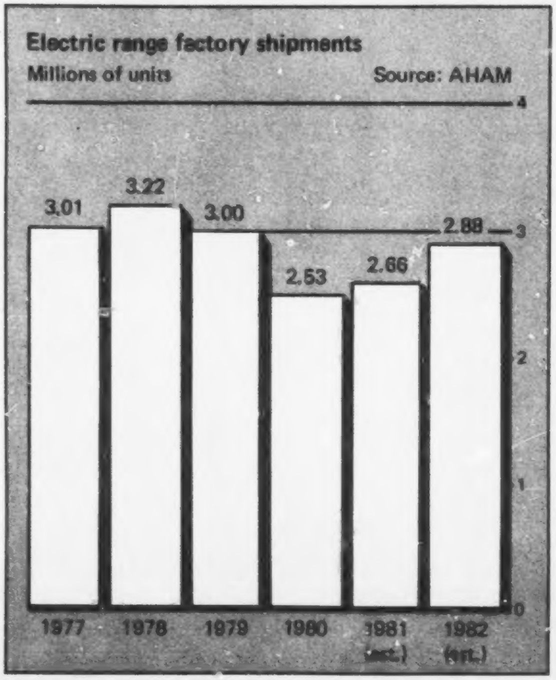
The last couple of years have not been easy ones for manufacturers and retailers of cooking appliances. The decline in the homebuilding market, or more specifically the decline in the number of new home completions, has hurt the business.

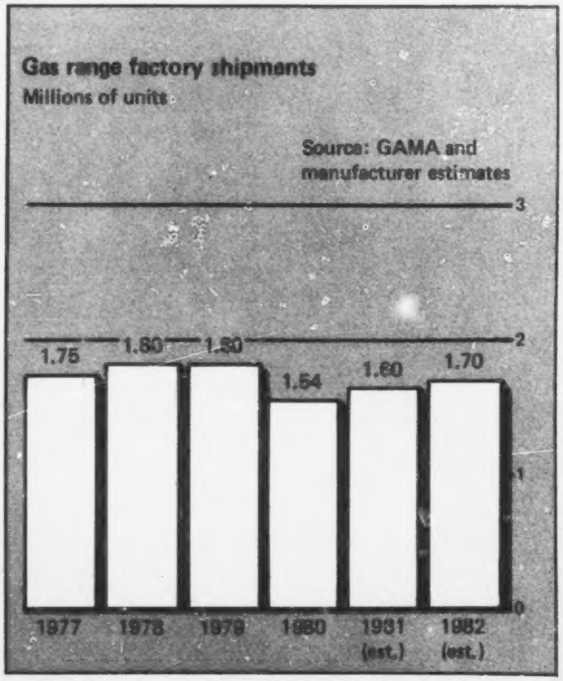
Sharp declines in factory unit shipments of both gas and electric ranges have been evident over the last two years. Final figures for 1981 are not likely to be much better.

The bright star in the cooking appliance field continues to be the microwave oven. Shipments and retail sales were up more than 35 percent in 1981, with factory shipments approaching the combined total of both gas and electric ranges.

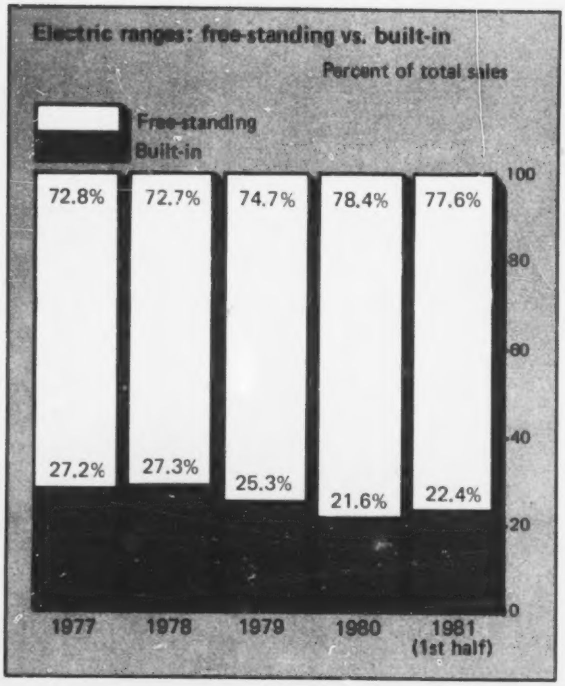
Manufacturers note that over the next few years the combination microwave range, the biggest dollar ticket in the cooking appliance business, will gain a larger share of the market.

In the meantime, the market will recover slowly as the housing market recovers. There are millions of new household formations that will be formed in the next decade, and they will all need some sort of cooking appliance. ■

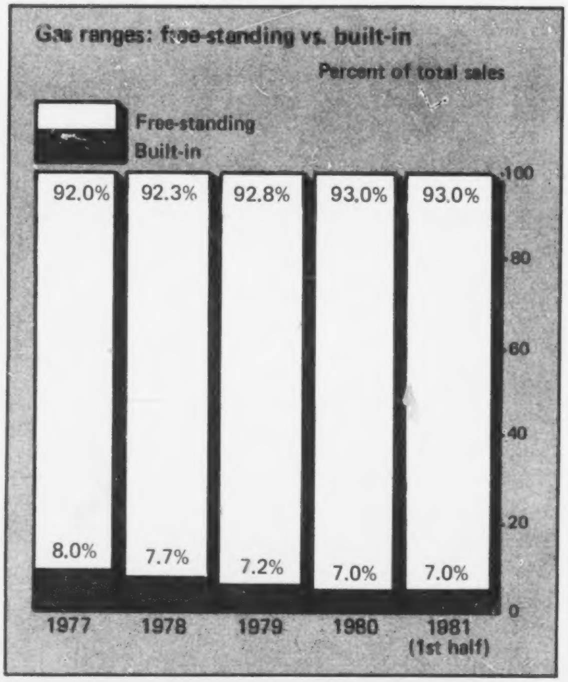




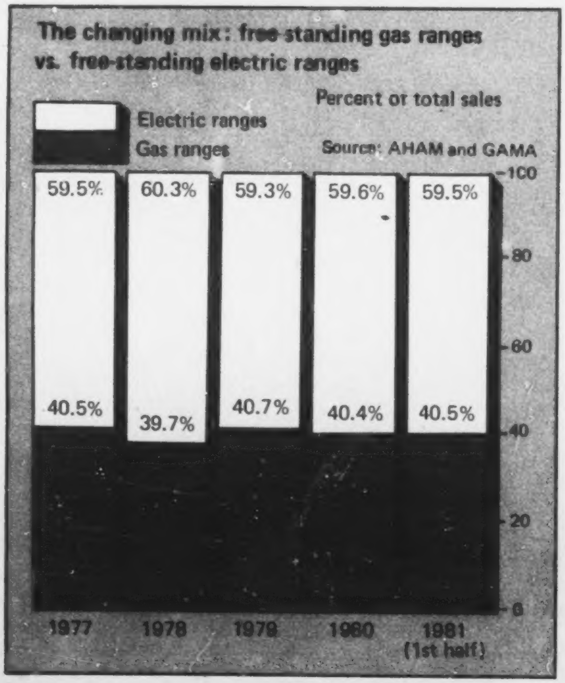
# the cooking-appliance industry



Electric ranges: free-standing vs. built-in

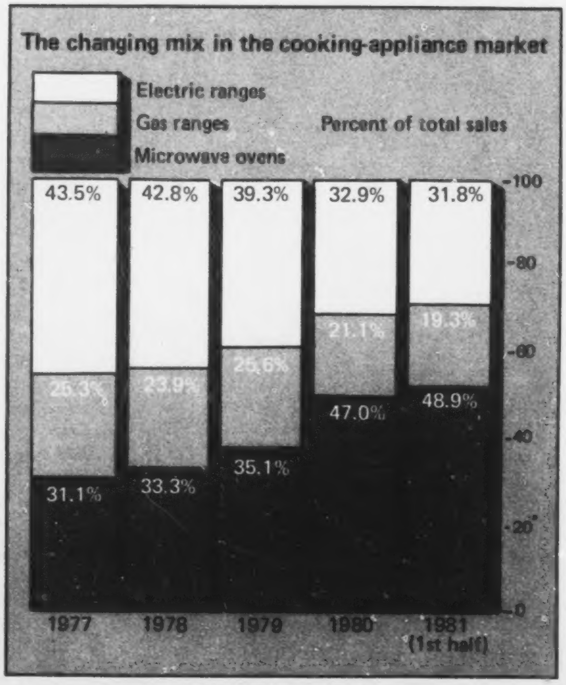


Gas ranges: free-standing vs. built-in



The changing mix: free-standing gas ranges vs. free-standing electric ranges

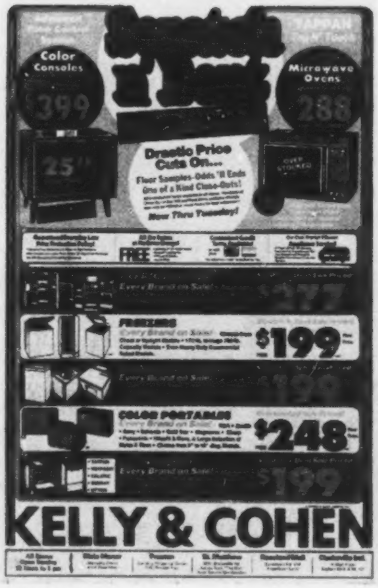
Source: AHAM and GAMA



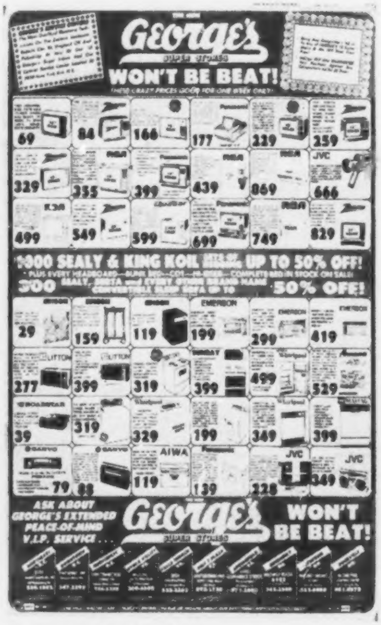
The changing mix in the cooking-appliance market

# Range ads: what retailers are running

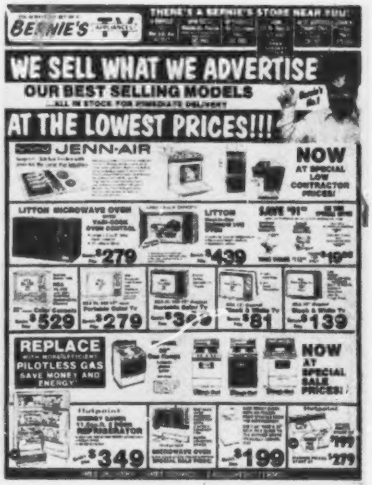
## Co-op is key in determining how strongly ranges are featured


Color Consoles
Microwave Ovens
Drastic Price Cuts On...
FREE
$199
$248
KELLY & COHEN

Kelly & Cohen


George's
WON'T BE BEAT!
UP TO 50% OFF!
50% OFF!
ASK ABOUT GEORGE'S EXTENDED PEACE-OF-MIND V.I.P. SERVICE...
George's
WON'T BE BEAT!

George's Superstores


BERNIE'S TV
THERE'S A BERNIE'S STORE NEAR YOU!
WE SELL WHAT WE ADVERTISE
OUR BEST SELLING MODELS
AT THE LOWEST PRICES!!!
JENN-AIR
NOW AT SPECIAL LOW CONTRACTOR PRICES!
$279
$439
$529
$279
$81
$139
REPLACE
PILOTLESS GAS
SAVE MONEY AND ENERGY
NOW AT SPECIAL SALE PRICES!
$349
$199
$279

Bernie's Appliance/TV

When does a range rate its own ad promotion?

When the manufacturer picks up the tab, that's when!

At least that's what it looked like to MART/Focus when we plowed through eight months worth of ad clippings in order to round up a representative selection.

We divided our collection into two simple categories: big ads, and small ads.

**Big Ads**

Big ads, we found, looked heavily co-oped. They often featured one manufacturer's label exclusively, maybe mentioning a secondary manufacturer's range. The ads seldom quoted specific prices, instead preferring vague terms: "Guaranteed lowest prices," "Special models, special values," and "At special low contractor prices." Or, the ads appeared as part of a manufacturer-sponsored event or rebate program.

**Cliff Clark's Inc.**, in Toledo, OH, joined forces with Amana for a $50, $75, $100 rebate program. Although the ad quoted rebate figures, and referred to "already low discount prices," Clark's left out the original prices.

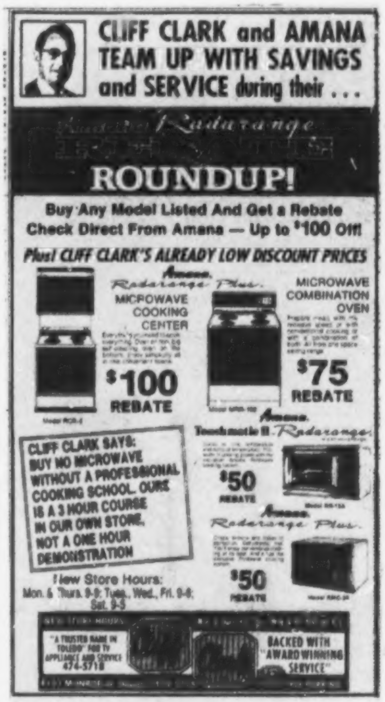
**General Electric** deserved the full credit for its manufacturer-sponsored appliance event in St. Paul, MN—retailers got a tag line. Not a price pull, this ad went for the upper-class status approach, with gray-tones and subtle shadings on the product illustrations. Phrases such as "special editions, special models, special values, at a very special event" reinforced class distinctiveness.

**Standard Brands**, Ft. Lauderdale, FL, tied in countertop microwave ovens, standard ovens, and versatile cook-top ranges in a single "We're cooking with a Spring clearance" promotion. Half the ad featured Jenn-Air ranges. Copy references to "Spring cooking clearance," and all Jenn-Air models "clearance priced"—as distinct from sale priced or discounted—gave the reader a feeling that the ranges were selling at prices cheaper than usual without ever using the words sale, reduced, or discounted. In all likelihood, these products really sold at Standard Brands' undiscounted, regular "low" prices. Nonetheless, the ad produced a "bargain" impression on the reader.

**Bernie's Appliance/TV**, Hartford, CT, sold Jenn-Air, Magic Chef, and a token Tappan at "special low contractor prices." Looking for replacement range sales, Bernie's emphasized energy savings over price cuts. Specific sale prices weren't mentioned, but alluded to

*[Continued on page 10-S]*

# Range advertising: what retailers are running



CLIFF CLARK and AMANA TEAM UP WITH SAVINGS and SERVICE during their . . .

ROUNDUP!

Buy Any Model Listed And Get a Rebate Check Direct From Amana — Up to $100 Off!

Plus! CLIFF CLARK'S ALREADY LOW DISCOUNT PRICES

Amana Radarange Plus MICROWAVE COOKING CENTER

$100 REBATE

MICROWAVE COMBINATION OVEN

$75 REBATE

Amana Touchmatic II Radarange

$50 REBATE

Amana Radarange Plus

$50 REBATE

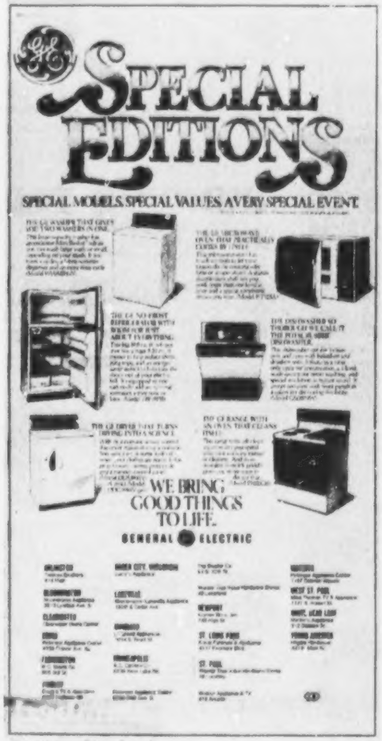
CLIFF CLARK SAYS: BUY NO MICROWAVE WITHOUT A PROFESSIONAL COOKING SCHOOL. OURS IS A 3 HOUR COURSE IN OUR OWN STORE, NOT A ONE HOUR DEMONSTRATION

New Store Hours: Mon. & Thurs. 9-9; Tues., Wed., Fri. 9-6; Sat. 9-5

"A TRUSTED NAME IN TOLEDO" FOR TV APPLIANCE AND SERVICE 474-5718

BACKED WITH "AWARD WINNING SERVICE"

Cliff Clark's



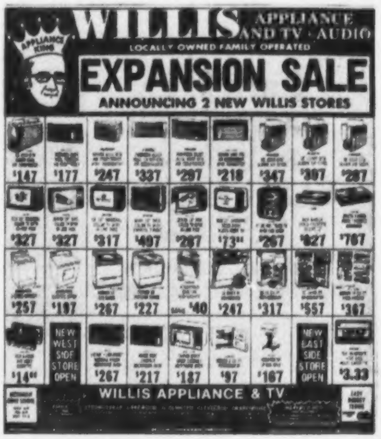
SPECIAL EDITIONS

SPECIAL MODELS. SPECIAL VALUES. A VERY SPECIAL EVENT.

WE BRING GOOD THINGS TO LIFE.

GENERAL ELECTRIC

General Electric



WILLIS APPLIANCE AND TV · AUDIO

LOCALLY OWNED FAMILY OPERATED

EXPANSION SALE

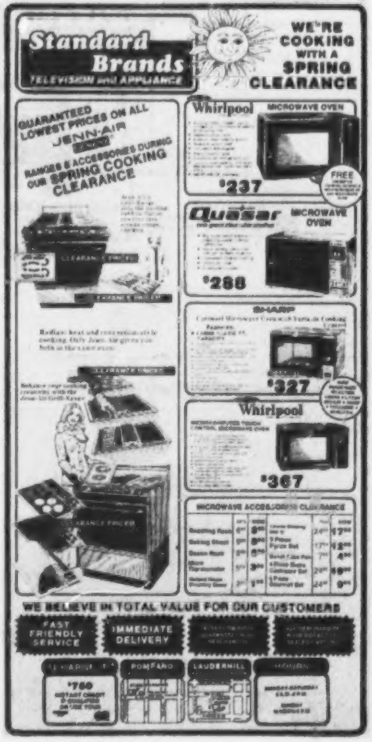
ANNOUNCING 2 NEW WILLIS STORES

NEW WEST SIDE STORE OPEN

NEW EAST SIDE STORE OPEN

WILLIS APPLIANCE & TV

Willis Appliance



Standard Brands TELEVISION and APPLIANCE

WE'RE COOKING WITH A SPRING CLEARANCE

GUARANTEED LOWEST PRICES ON ALL JENN-AIR RANGES & ACCESSORIES DURING OUR SPRING COOKING CLEARANCE

Whirlpool MICROWAVE OVEN $237

Quasar MICROWAVE OVEN $288

SHARP $327

Whirlpool $367

MICROWAVE ACCESSORIES CLEARANCE

WE BELIEVE IN TOTAL VALUE FOR OUR CUSTOMERS

FAST FRIENDLY SERVICE

IMMEDIATE DELIVERY

POMPANO

LAUDERHILL

Standard Brands

*[Continued from page 8-S]*

with a general tag line promising "special sale prices."

For Jenn-Air, Bernie's promoted a representative sample of its lineup, establishing itself as a grill-top/oven supply source.

**Small Ads**

Ranges aren't big news in small ads. But low prices are! Squeezed into a full-page ad for **Kelly & Cohen** (five stores in CT) was a tiny range sporting an attention-getting price tag. For $199, shoppers could walk out with any "Scratch 'n Dent Sale Price" gas or electric range including self-cleaning and microwave combinations. The limited-time-only pitch, low prices and hot red and yellow colors also promoted a sense of "buy now" urgency

Adding a new store is always a good excuse for a sale. **Willis Appliance, TV & Audio** opened up two stores in the Cleveland, OH, area and celebrated with an "Expansion Sale."

For Willis, more important than highlighting a particular product, or brand name, is creating an identity in the community as a one-stop, we-sell-everything shop.

**George's Superstores**, in the Washington, D.C., area, held a one-week "supermarket-style" sale. Advertising a G.E. electric range ($319) and a Sunray gas double oven ($399) revealed that George's is not just a one-brand, one-style retailer. Placing those two ranges in the middle of promotions for TVs, VCRs, air conditioners, car stereos, etc., helped promote George's as an electric-goods supermarket. ■

# Selling ranges? It's a roller-coaster market

## Seasonal or cyclical, range sales have dealers stonewalled

Selling ranges is an up and down business. When the economy is up, housing starts are up. When housing starts are up, range sales enjoy the upward ride.

Well, in most parts of the country, housing starts are not up. At best, they're fair-to-middling. As a result, range sales reports from MART/Focus' retailers are also fair-to-middling.

"Our range sales fluctuate," said JoAnn Meserve of Clyde Meserve Appliance, East Bridgewater, MA. "They go in spells. For a week, we'll go real heavy on ranges, and then we won't sell anything the next week. Then, for two weeks we'll sell a lot, and then there will be a slow period again.

"We average about 25 to 30 sales a month," she estimated. "I think the reason it gets slow now and then is because people like to look around. Maybe they figure, 'I'll wait until I get paid,' or they hope that next week someone else may have it cheaper."

"There hasn't been anything in range sales to speak of," an East Brunswick, NJ, Brick Church Appliance spokesperson told MART/Focus. "Things have been pretty average—not so good, not so bad. But they always pick up around Thanksgiving. Sales are always slow at the end of the summer, but the last week of November, they come back. It's just like air conditioners: they sell in the summer, but not in the winter."

At Clydes, ranges make up about 20 percent of that company's business. But at Brick Church, the percentage is even less: about 10 percent of total sales, or an average of six ranges a month.

At Kitchen Distributors of America, Rockford, IL, sales to home builders make up about 75 percent of the store's business. About half of those sales are on new home construction jobs, the others are for replacement and remodeling.

Freestanding ranges are a big seller for Kitchen Distributors. "We sell Tappan and Jenn-Air," said a spokesperson there. "Freestanding, basic Tappans are our biggest movers; mostly builders buy those. Prices are also holding in our area. Rockford is about the size of Peoria, only 100 miles away from Chicago. There is a lot happening and people are able to spend money."

Kitchen Distributors is one of the few retail outlets MART/Focus spoke to that displays its ranges as part of a full kitchen setup. "We don't have a live kitchen, but we do have several kitchen displays that people can look at. Usually we promote ranges with the cabinets."

B. Kessler, of Kessler Appliance, Iowa City, IA, said his range sales have slowed up recently. "Everything else is moving—refrigerators, washers, and so on. I don't know what's the cause of our range sales slowdown. Maybe it's because a lot of the new ranges are built-ins and we're not big in built-in ranges."

### Dealers advised to look for a secondary marketplace

**If ranges are not a profitable item for an appliance dealer, he or she would do well to take a look at his or her market approach.**

**Too often, a retailer depends on one segment of the market to carry him through the lean times as well as the fat. That retailer finds that there are peak times when his target audience can buy like crazy and all is well on his profit-and-loss statement. Then, too often, there are times when that market is glutted, and the single-segment retailer is left sitting on a pile of inventory, with no secondary markets to absorb his stock.**

**The retailer, who wants to make a sensible impact on the range market, focuses on more than one buying group, preferably in categories that complement each other. If a dealer trades mainly with home-building contractors, a complementary market could be direct retail replacement sales, or home remodeling involvement. Usually when one market is slack, the other still shows some life.**

As with most of the retailers MART/Focus talked to, Kessler does not display his ranges in a kitchen setup or feature them much in store promotions.

Meserve, of Clyde Meserve Appliance, explained that her store doesn't single out ranges for promotions either. "But then," she added, "we only do full-line advertising. With our store, we don't promote anything special. Our best promotion is word of mouth—a lot of people telling their friends 'I got the best price on my range at Meserve.' "

AFO Stores, in Visalia, CA, runs multi-product ads, with a small portion mentioning ranges, as opposed to single product promotion. "We like to put in a variety of merchandise in our ads," said Roger Schmenger, general manager. "The purpose of our ads is to promote items that we really want to move in the store, what's in an ad varies."

AFO Stores has been in business one year, and carries Roper, Admiral, Crosley, Tappan, Whirlpool, Litton, and will order other brands on request. "We sell more gas than electric," Schmenger said. "And of those our best-selling category is built-ins. We sell retail and we sell to builders. A lot of people, when they're building a home, try to have built-ins put in whenever they can, or a slip-in model.

"Right now, we're trying to get all the builders in our area to buy from us, so we're trying to give them the best deal around. In general, I'd say the range business is slow for us. But that's because stoves don't wear out that much. If a person buys a good stove, like a Roper, it will last for 20-plus years."

Trade-ins are also a profitable supplement to range sales. Many retailers prefer not to touch that market, ("Who wants to buy an old, burned-out stove?" asked Schmenger). Those who encourage trade-ins find it adds a tidy sum to their profit column. "We service ranges and we take trade-ins," said Meserve. "I'd say repairs account for about 5 percent of our business. For trade-ins, we can give people between $10 and $50 on their used ranges, and the turnaround for us makes up between 10 and 15 percent of our business." ■

**RANGES**

# Chicago vendors stick combo ranges on a

## Clever Consumer takes his Missus on search for the perfect combination-range sales pitch

There aren't many salesmanship "10s" for vendors of combination ranges in the Chicagoland market.

When MART/Focus' Clever Consumer and his Missus went searching for combination ovens in the Windy City, they whiffed the hot air of the small sales pitch.

### Got a range

As the first stop on their journey, our Clever Pair breezed into a local Sears Roebuck range department and were promptly greeted by a salesman, who spotted them ambling down an aisle.

"Looking for a gas or electric?" he snared them.

"Uh, we've got a gas oven already," our Duo replied. "But we're looking for one that has microwave or convection."

"Gotcha," said the salesman, and led them to the one model on the floor that met our Shoppers' specs—an over and under unit with scan controls for power and temperature on the eye-level microwave oven, and a continuous clean lower gas oven.

"This one comes with a probe," he told them, adding, "you can cook either by time or temperature. The lower oven is continuous cleaning. We don't have self-cleaning in gas."

"What about convection ovens?" they asked.

"We used to have them, but not any more," the clerk replied, and moving back to the microwave oven combination, he zeroed in for a close: "I can get this one for you $150 off the tag price, with color for $1,399!"

"Thanks, we'll be back," murmured our Shoppers.

For the next two stops, the Clever Consumers bucked some stiff competition for the sales help's attention—a Chicago Cubs baseball game.

### Strike one

One reluctant salesman admitted to working on the floor at Weiboldts. For the rest, the TV action in the adjacent electronics department was a bigger draw than a pair of "paying prospects."

Knowledgeable only when asked specific questions, the sales clerk volunteered little. So our Consumer Duo braced for an arduous interrogation.

"What's so good about convection ovens?" asked Mrs. Consumer, standing in front of a Tappan eye-level combination range.

"It cooks fast," the salesman shot back, keeping an eye on a nearby TV. "It has a squirrel cage fan that makes it cook faster by circulating the air."

She persisted: "It sure doesn't have many controls on the microwave oven. Why's that?"

"It's programmable," he replied. "It's a touch-control unit. It can defrost for so many minutes, then cook, and then keep the food warm."

When Our Couple commented on the amount of heat issuing from the vent of the lower, self-clean oven, the salesman assured them: "There's four to six inches of insulation in the oven." Then, he outlined the merits of his double-oven combination versus a single-cavity microwave range. "With the double oven, you can use both at the same time. And in case of a power failure, that might affect the electric ignition pilot, you can still light the surface burners with a match though you can't light the oven."

That concluded his pitch; his attention refocused on the game. So our Duo decided, "the heck with getting price info out of him," and left.

### Strike out

Their luck wasn't much better at Polk Brothers. TV screens, with the Cubs in action, were everywhere. When they finally dragged a salesman away from a two-run homer spree, our Shoppers found him reluctant to answer their questions, and even less eager to step them up the line—a shame, because this store had the best selection of combo ranges thus far. Polk offered a number of Calorics, Magic Chefs, and Tappans in gas; and an even wider selection in electrics.

Although the salesman did draw a connection between convection and energy savings, and supplied our Couple with a brochure outlining convection cooking benefits, this salesman was grossly underinformed about the features of each range.

"I think you can light the pilot with a match," he insisted, trying to show how

# back burner

to light the pilotless range he was demonstrating. "I know it's here, I just can't find it," he said, finally giving up.

**Thrice-baked goods**

The next stop was less fruitless. West Suburban Appliance, in Hinsdale, featured one combination microwave range, a Hardwick. But the salesman who approached them worked hard to convince our Couple that it was the best model on the market.

"This oven has the best finish, because its continuous clean is baked three times, not just once like the other manufacturers' applications. So, you don't get spotting," he enthused. "It also has touch-control microwave and a continuous-clean lower oven."

This staffer expressed doubts about combination ranges as a concept. "When the microwave oven or the range goes, you have to replace both, not just the one that breaks down," he told our Consumers.

"You're better off buying them as separate appliances," he encouraged. "And you can get them as built-ins, as well." He provided the pair with the built-in's vertical measurements so they could check if their kitchen could accommodate the units.

Then, he led them through a cleaning demonstration, showing how the surface section of the range lifted up, so spills could be wiped up from the burner box. He also explained how the gas burners unplugged for washing. And then, as a parting shot, he told our Crew, "West Suburban services what it sells."

At Wards, Our Shoppers spotted a lone saleswoman engaged with another customer. She smiled at the two, and promised to "be with you in a minute!"

In her pitch, she pointed out the two gas microwave combinations available, each selling for $1,099.97. One was a single-cavity convection and self-cleaning oven unit, and the other a touch-control eye-level microwave oven with a continuous-clean lower oven.

Although she too made no effort to close, this clerk did point out both units' convenience features. "The continuous cleaning has been improved since it first came out," she assured the Dynamic Duo. "And although the microwave combo does not have a self-clean finish on the door or bottom of the oven, the door does lift off easily for convenient cleaning. The one-piece, plug-out gas burners just pop off, and can be washed in the dishwasher."

At J.C. Penney, the saleswoman untangled herself from another customer to join our Duo.

The store's only gas combination oven was an eye-level microwave range with continous clean lower oven tagged at $1,219. So, the clerk suggested an alternative to buying a combination: "If you use a conventional, free-standing model plus a separate microwave countertop oven placed on a shelf above, you can buy the range for $400, instead of the $1,200 price of a combo. The countertop unit would be extra though." Then she took out a tape measure to illustrate her point.

Penneys was also the sole outlet to display a sales aid for the pilotless ignition on gas ranges.

**It's a hit**

"See this microwave oven," said the Marshall Field salesman, pointing to a Caloric eye-level combination. "It has a roto wave near the top that distributes the heat evenly so you don't have to move the food."

So he began the best sales pitch our Consumers had heard all day. The Marshal Field staffer left no stone unturned in teaching the two about combination ovens.

On convection, he reported those ovens cooked 30 percent faster than conventional ranges, but tended to dry out food. He discouraged them from buying a continuous-clean gas range, because he believed those ovens didn't self-clean well, and their cleaning cycle couldn't be supplemented with oven cleaner.

"Plus," he added, "we're the only store that gives you a two-year parts and labor warranty. When a manufacturer's warranty ends, usually after a year, he'll ask you if you want to buy a service contract for another $90. With us, there's no charge for service for two years."

"Sold," the MART/Focus Clever Consumers said. ■

## Strike-out selling

**Times can't be that tough, when a TV baseball game draws more attention than paying customers!**

**Though MART/Focus' Clever Consumers tried hard** to part with some bucks on their Chicagoland tour, it was no go. Combination ranges are obviously not a popular sell with the Windy City sales force.

**That's why this month's award goes to Marshall Field.** The store boasted a reasonable oven selection and an attentive salesman to boot!

**Congratulations. Your plaque is in the mail!**

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November 1981

# MART

The Retailer's Magazine of Electronics/Appliance Profit Improvement

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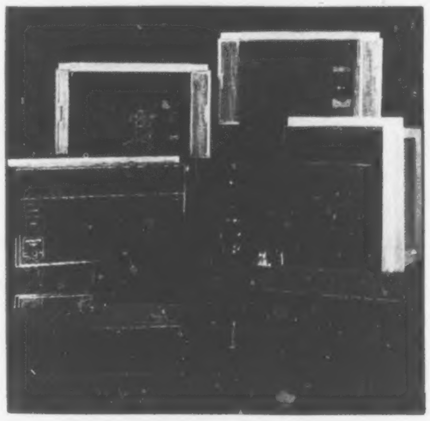

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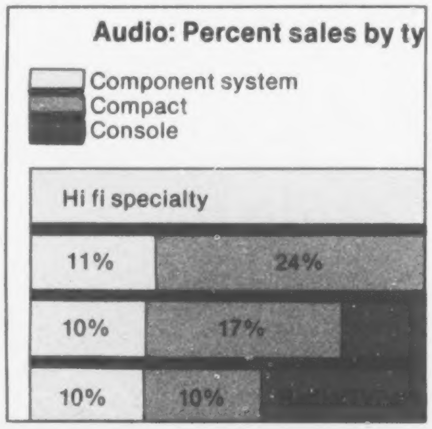

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**Cover photograph oi Lou Kwiker, Lee Hartstone, and Len Levy shot on location at Wherehouse Sound.**

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# MAJOR APPLIANCES

## M/W sales to 5-million units in 1982: Johnstone

**Litton exec says satisfied customers and word of mouth advertising will spur market saturation**

The microwave oven is poised on the edge of the mass consumer market, according to Don Johnstone, vice president of marketing at Litton Microwave Cooking Products. Saturation, currently in the 20-percent range, should eventually reach 60 percent or more, he believes.

Retail sales, which are expected to reach 4.2 million units in 1981, are expected to grow to 5 million units in 1982—a 19-percent increase, Johnstone told MART.

According to Johnstone, the market has grown to a point where word-of-mouth advertising will begin to accelerate sales even faster. As more and more consumers see microwave ovens used in the home of a friend, or as they use them in the office cafeteria, they will eventually want one for their own home.

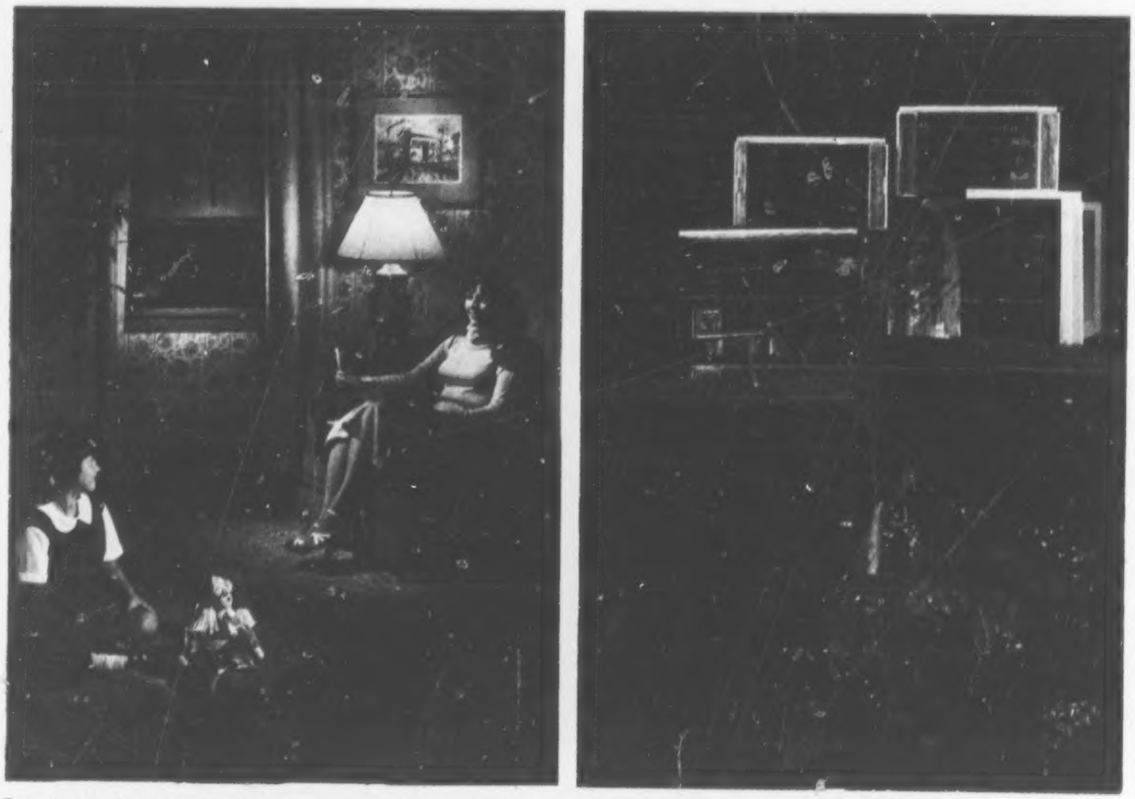
Besides the obvious ease and speed of microwave cooking, Johnstone cited the high degree of customer satisfaction with the product as a positive indicator of the anticipated growth: more than 95 percent of those consumers who purchase a microwave oven are happy with their purchase.

"Whether they use the product or not, customers are happy with their microwave ovens," Johnstone told MART. "Many consumers are happy to have a product with which to reheat and defrost. Others are happy with their product because they do most to all of their cooking in it."

In general, Johnstone said, today's microwave oven customer is more knowledgeable than the microwave shopper of a few years ago. Consumers today generally know the features they want when they come in to buy.

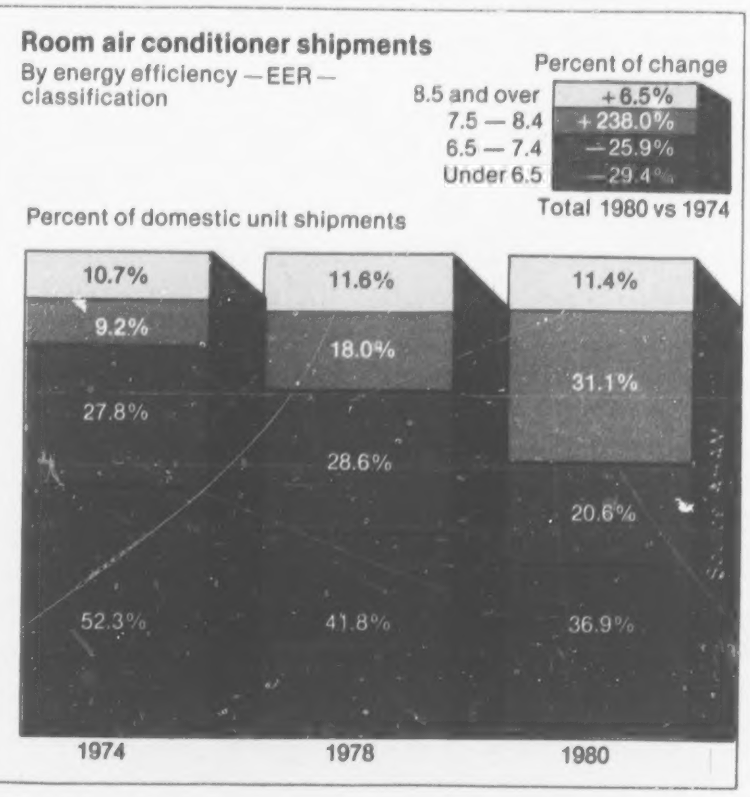
Although growth is expected in all parts of the microwave-oven business, Johnstone singled out the over-the-range and combination-range markets as the greatest growth areas. "And appliance retailers will always have the major portion of that business," Johnstone added. ■

**Litton's Don Johnstone: Over-the-range and combination ranges will be the fastest growing segments of the microwave market.**



**Growing replacement sales and more people shutting off their central air conditioning to spot-cool insure a stable room-air market. Models are from Whirlpool (left: Write in 329) and Emerson Quiet Kool (right: Write in 330).**

## Air conditioners have another big year



The room-air-conditioner business is in good shape.

Following the industry-wide sellout in 1980, shipments of room air conditioners have been brisk throughout most of 1981. And retail sell-through, although not as spectacular as a year ago, was nevertheless impressive in 1981. Field inventories for the second year in a row are remarkably low. So manufacturers are optimistic about 1982.

The high cost of floor-planning is keeping many retailers from placing early orders. When they finally do order, most retailers are buying much more carefully than they did in past years. Buy-back options, although generally still available, are less of a factor in the business than they used to be. Retailers are ordering what they know they can sell at the risk of running short of product in an extended hot spell.

A growing replacement market, and an increase in sales to consumers shutting off their central air conditioners in favor of-spot-cooling with one or more room air conditioners, are two factors that will insure continued stability. The full report begins on page 21.

# Major Appliances

## Room air conditioners in the 1980s— the market is smaller but more stable

### The days of 5 million units a year are gone, but retailers can expect a stable market with sales of more than 3 million units a year

The room air conditioner business is becoming much more stable—and thus much more predictable.

Dealers are ordering units somewhat later in the year, and manufacturers are waiting longer to establish their new lines, in some cases.

The high costs of production and floorplanning are keeping early pre-season buying down. And no one—manufacturer, distributor, or retailer—is anxious to overload the distribution pipeline.

The days of 5 million factory unit shipments a year are gone. In the late 1960s and early 1970s, when the cost of floor planning was lower and buy-back plans were more liberal, dealers would order boldly and heavily, and manufacturers would flood the distribution network with millions of room air conditioners.

In an extended heat wave, retail sales of room air conditioners would be dramatic. But in an average or poor year, millions of units would remain in the pipeline—a drag on the profits of both producers and retailers.

Today, factory shipments are at a lower (but much more stable) 3-million-unit-a-year rate.

Buy-back plans, although still available, are not as large a factor in the business as they used to be. Retailers are ordering more carefully, and manufacturers are tailoring production to fit the new retail realities.

Because of a couple of relatively recent trends in the business, manufacturers say there is no longer a huge difference in sales volume between an extremely hot year and a poor year.

A large and growing base of dependable replacement sales now exists. And with today's climbing utility rates, more and more consumers are opting for spot-cooling bedrooms and living areas with room air conditioners rather than using their central air conditioning.

Domestic sales in a normal room-air season over the next few years can be expected to be about 3 million units a year. And manufacturers say that in today's market, sales will not deviate much more than 10 percent in either direction. That is, in an extremely good year, with long periods of hot weather, sales could reach 3.3 million units, but not a lot more.

And in a year without an extended hot streak, sales would not be expected to dip below 2.7 million units.

What kind of season was 1981? Manufacturers and retailers in many parts of the country say it was a very good year.

Field inventories had been very low, following the near industry-wide sellout in the 1980 season, so manufacturer factory unit shipments in the first half of the year were more than 40 percent ahead of 1980 levels. And although shipments were softer in July and August, through August the eight-month factory-shipment total was still 21 percent ahead of 1980.

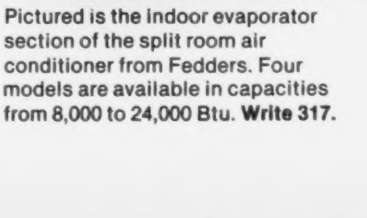
Sell-through at retail was reported to be strong, as well. Field inventories are said to be only slightly higher than a year ago, and manufacturers expect another healthy but orderly flow of product to fill the retail pipeline.

One manufacturer, Tom Murray, vice president of sales at Emerson Quiet Kool, told MART the industry averaged more than an 82-percent sell-through in 1981. He estimated that approximately 300,000 units are in distribution inventory nationwide.

And what are consumers buying?

According to most manufacturers, the room air conditioner product mix has not changed appreciably in recent years. According to Jim Workinger, marketing manager for room air conditioners at Whirlpool, the product mix in Btu size has not shifted in recent years. However, growth has occurred in sales of units with high energy-efficiency ratios (EERs), especially in the replacement market. Consumers who have owned an air conditioner before know what they can do and how much they cost to operate, so they are more apt to want a model that cools efficiently.

Carrier's Sierra heat pump series features five models with cooling capacities from 9,300 to 17,600 Btu, and heating capacities from 8,100 to 14,900 Btu. **Write 316.**



Pictured is the indoor evaporator section of the split room air conditioner from Fedders. Four models are available in capacities from 8,000 to 24,000 Btu. **Write 317.**

According to Jack Peppers, vice president of sales of major appliances at Amana Refrigeration, there has been some growth in sales of portable units industrywide, especially sales of larger, more efficient units. "Those people who are not buying on impulse seem to be buying more efficient units. This trend is especially noticeable where energy rates are high," he said.

Martin J. Holleran, room air marketing manager at General Electric, estimates that the industry has had and can continue to expect about a 3-percent growth rate in high-efficiency models.

That opinion is generally echoed by most manufacturers. One manufacturer, however, Chuck High of Carrier, indicated that the shift to high-efficiency units is slow at best, and that apparent increases in average efficiency may merely be the result of mandated minimum efficiency standards in such states as New York and California.

"While efficiency is somewhat more important than it used to be, a number of other factors are more important to most consumers," High told MART. "While many consumers ask about efficient models, their actual buying decision is not based primarily on efficiency, but on such factors as product reliability, quietness of the unit, and long life expectancy."

But according to Charles Marino, national sales manager for Friedrich Air Conditioning and Refrigeration, high-efficiency models are becoming a demand item.

"Consumers are more aware of high efficiency than a lot of people would have you believe," Marino told MART. "In many cases it's a question of the retailer taking the time to explain efficiency to the customer. But more than one in three customers uses the Energy Efficiency Ratio in his or her buying decision," Marino said.

It is felt by many suppliers and retailers alike that as more replacement sales are generated in the room-air business, proportionally more efficient models will be sold. And the replacement customer is a fast growing factor in the room air conditioner market.

Consumers replacing an old or worn-out air conditioner or those adding a second or third unit to the home now account for up to 60 percent of the business.

*[Continued on page 22]*

### Import suppliers check the U.S. room air market

**At least two manufacturers, Panasonic and Sanyo,** have considered or are considering entering the U.S. room-air-conditioning market.

**Sanyo previewed a room air conditioner** at this year's National Assn. of Home Builders (NAHB) convention in January. The model was a split condensor unit. The company, seeking dealer and builder response, will show the same model at the NAHB convention in Las Vegas in January.

**According to Mort Tillman,** vice president of sales for Sanyo Appliances, the company is still considering the U.S. market for room air conditioners. But at this time, he sees the market as 'so price-sensitive that consumers won't accept units that command high price points, even if they are highly engineered and super efficient. This is not the time to introduce an expensive, deluxe unit.'

**Panasonic is also considering the room-air-conditioner market.** The company has shown a highly energy-efficient and quiet-operating model to some U.S. retailers.

**According to Richard Muehlenhard,** general manager of the Home Appliance Div. of Panasonic, although the company has no plans to market room air conditioners in this country in the immediate future, it is conducting market research and has solicited dealer comments on the units.

**Muehlenhard told MART** that the units have received extremely favorable response from the retailers. 'Retailers seem to think we're on the right track. There seems to be growing demand for high-efficiency and quiet operation,' Muehlenhard said.

The company currently markets a full line of room air conditioners in many parts of the world.

# Room air sell-through in 1981 was good, but did not match 1980

*[Continued from page 21]*

Replacement and add-on buyers are more likely to shop at both pre-season sales and after-season clearance sales. As these customers account for a larger portion of the business, they will add even more stability to the market and will lengthen the season on both ends. And manufacturers hasten to add that more than 20 million room air conditioners 10 years old or older are out in the field and will need to be replaced one day.

The customer adding a second or third room air conditioner is also a growing factor in the business in all parts of the country.

According to Robert DeLellis, general marketing manager of room air conditioning at Fedders, because of high utility rates there is a national trend among consumers with central air conditioning to shut down their large units and to spot-cool smaller areas of the home such as bedrooms and living rooms with room air conditioners. This trend is becoming apparent in all parts of the country, he said, not just the South and Sunbelt areas.

The summer of 1981 was a much better than average season for room air conditioner dealers in most parts of the country.

Manufacturers say early and intense heat in the Northeast and Midwest produced a near sell-out in these areas. Sales were especially strong in 5,000- to 10,000-Btu units. And because field inventories were so low entering the season, some spot shortages were reported in these areas in some lines and models.

Other parts of the country had good seasons as well. Sales were strong in Texas and the Sunbelt, but not quite up to the unparalleled sales of 1980. Sales in these areas were especially strong in larger-Btu models.

The close of the 1981 season finds the room-air industry in a very similar situation last year. Relatively little inventory exists in the field, so the dealers are happy. And retail sales were at a sufficient level that the distribution pipeline needs to be filled again. So the manfacturers are happy, too.

Because of the high proportion of sell-through at retail over the last couple of years, the buy-back situation has been less of an issue recently than in the past. When all product is sold, there is nothing to buy back, and no one has a problem.

Manufacturers hope that with better production planning they will never again be forced into massive buy-back situations. But at the same time, everyone hopes to avoid large-scale shortages in an extended hot spell.

Buy-back options remain available to about the same degree as in previous recent years; there have been no dramatic changes in terms to dealers.

According to Tom Murray of Emerson Quiet Kool, the high cost of financing and money—financing for dealers and production overruns for manufacturers—is making manufacturers more responsible and much less prone to unload an unlimited number of units into the field.

Dealers too are groping for ways to contend with the high cost of money. There is a trend for dealers to hold back in their pre-season buying: they are not only ordering later in the season, but are ordering fewer units. According to Chuck High of Carrier, because of the reluctance of retailers to order early (a factor of high interest rates), manufacturers must strive to become more timely, that is, be able to produce sufficient product at the right time.

The room air conditioner business will continue to be a steady 3-million-unit business for the foreseeable future. As prices rise (and several manufacturers have recently announced price increase of up to 7 percent), the business will grow in dollar volumes.

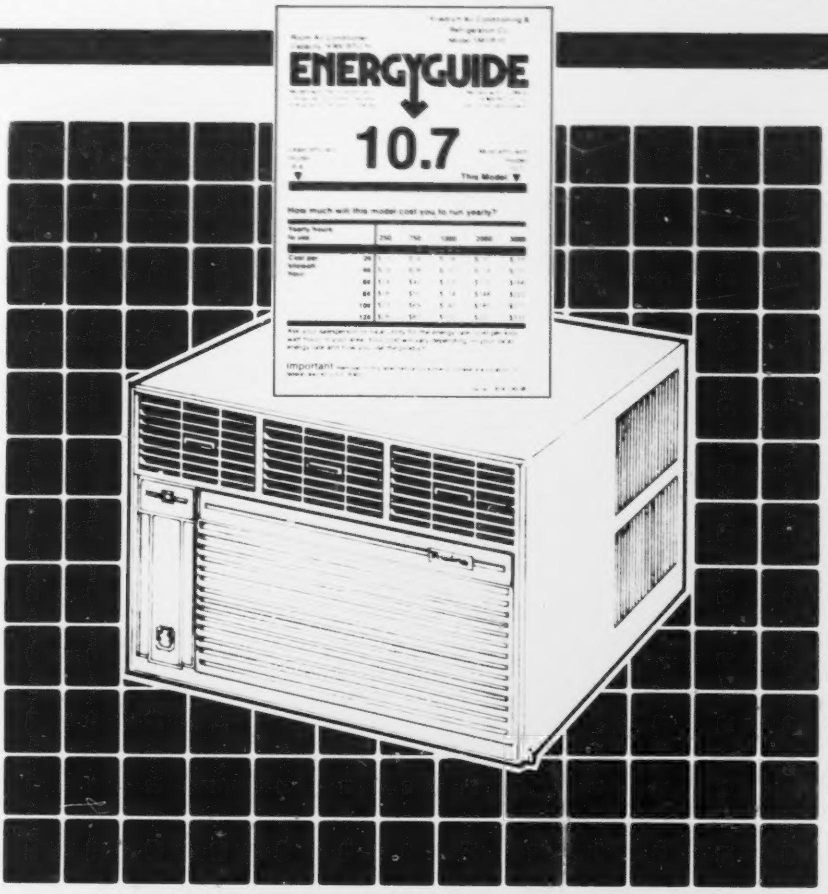
Manufacturers predict that the market will track in a normal manner for the remainder of the year. The above normal shipments of the first half have subsided. They expect that at year's end shipments will be 18 to 20 percent ahead of 1980.

Because field inventories are low, these same manufacturers expect a 1982 season very similar to the year just past, or perhaps down slightly. ■

**John Foster**
Senior Editor

**General Electric introduced the first Carry-Cool 10 years ago. Today the line has seven models. Write in 318.**

# Why You Should Be Selling Friedrich Room Air Conditioners



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# Microwave News

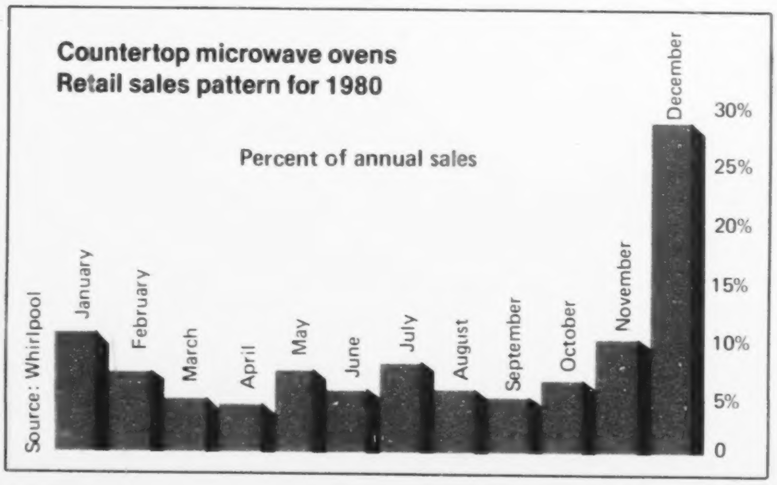
## Microwaves growing in importance to retailers

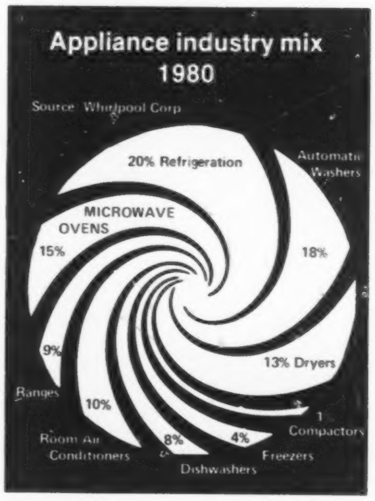
**Sales of microwave ovens now account for 15 percent of the total of the nine major appliance categories**

Appliance dealers who are not in the microwave oven business are missing out on a large and growing segment of the total major appliance industry: that's the view of Ron Whitford, merchandising manager of microwave ovens at Whirlpool Corp.

Sales of microwave ovens now account for about 15 percent of the total unit volumes of the nine major appliance categories, Whitford told MART. Microwave ovens are now the third-largest unit-volume category in the appliance business, trailing only refrigerators and automatic washers.

And all retailers, those who are in the microwave-oven business and those who are not, should be aware that the business is changing rapidly. As the market broadens, new and lower price points are becoming the key market segments. According to Whitford, $400-to-$449 is now the most popular price segment in the industry; $450-to-$499 is another significant segment.





In the present market an increased opportunity exists for sales under $300. As new features have been added to high-end models, more features have become available on mid-line and lower models as well. And the more consumers use their microwave ovens, the more their perceptions of their needs change.

Whitford told MART that in the small but growing replacement market, many consumers are replacing touch-control models with units with mechanical controls. And while many consumers perceive size as an important feature when they buy their oven, after they've owned the oven for a while, capacity is not thought of as particularly important.

Whitford believes growth in the microwave-oven business will continue at a rapid rate. In fact, he said, the growth pattern of microwave ovens does not resemble most other major appliances, but rather closely resembles the growth pattern of color television sets in the late 1960s and early 1970s.

Whitford expects that 4.2 million microwave ovens will be sold in 1981, and he feels the microwave oven could increase market penetration by 4 or 5 percent a year for the next few years.

As the market matures, Whitford said, more sales opportunities will develop for the appliance dealer. Especially strong growth potential exists in built-ins, eye-level microwave ovens, and the combination microwave range.

Whitford believes the microwave market is becoming more of a year-round business. Although sales are still heavily weighted toward the Christmas season, sales throughout the year are much more consistent than they used to be.

The microwave oven will continue to grow in importance in the major appliance industry, the Whirlpool executive said, and dealers should try to maintain the proper product mix: if microwave ovens account for 15 percent of total industry appliance sales, dealers should try to match that figure in their own mix. ■

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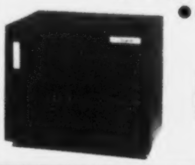

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# Room at the Top

**Don Henry**

**Roger Schipke**

**Les Guilfoyle**

**Al Miserocchi**

**Don Henry,** formerly vice president of sales of *Magic Chef,* is now vice president, domestic sales and marketing, commercial air conditioning division, *Fedders Corp.* Also at Fedders, **Les Guilfoyle, Jr.** has been appointed director of service, residential consumer products . . .

*Emerson Quiet Kool Corp.,* has named **Donald L. Morgan** marketing manager . . .

**James Krueger,** formerly marketing manager at the *Tappan Co.,* has been named director of marketing of *Magic Chef's Admiral Group . . .*

Following the retirement of **J.W. (Jack) Hanrahan,** president of *Kelvinator,* H. E. Schafer, president of *White-Westinghouse/Kelvinator Appliance Co.,* has announced the following changes in the Kelvinator executive structure: **Richard J. (Dick) Conklin,** is now executive vice president; **K.J. Gursahaney,** vice president of product marketing at White-Westinghouse, will take over similar responsibilities for Kelvinator . . .

**Roger W. Schipke,** general manager of *General Electric's* laundry and dishwasher products division at Appliance Park, has been elected a vice president of the company . . .

**Al Miserocchi,** formerly director of major appliance sales for the *KitchenAid* division of Hobart, is now vice president of sales and marketing for *Thermador/Waste King . . .*

# CONSUMER ELECTRONICS

MART
NOVEMBER 1981

**Report from VIDCOM**

## European video market gains on U.S.

**The United States has a headstart on VCR and video disc sales, but by '85 the gap will narrow**

Western Europe should be the next major frontier for the home video market, as the products taking off in the United States today gain momentum overseas as well.

At last month's VIDCOM '81 Conference, held in Cannes, France, more than 600 video hardware and software firms from 32 countries showed off their latest developments.

The message from the conference? The European video cassette recorder market is poised for an explosion that should rival the VCR activity in the United States in the past year or so, and the video disc will be the next breakthrough.

At an International Tape Assn. seminar held in conjunction with VIDCOM, Kees Bruinstroop, product marketing manager for N.V. Philips' video department, predicted worldwide VCR sales of 6.5 million units for this year, with that worldwide total rising to 17 million units by 1985. By that time, he noted, U.S. VCR sales should hit the 4.3-million-unit mark, for a 20-percent penetration rate. Both the United Kingdom and Germany, on the other hand, although lower in unit sales, will each have achieved a 30-percent penetration for VCR.

All three of the video disc formats on sale (or soon to be) in the United States were represented at VIDCOM, and proponents of all three were talking about entering the European market by 1983.

Philips expects to market its LaserVision player in the United Kingdom "as soon as we have an adequate supply of the 120 titles in our initial catalog," according to Jos Coppen, international marketing manager. JVC's Yukio Kosuda said his firm has targeted mid-1982 for the first European sale of the VHD player, in the United Kingdom, with marketing in West Germany and France slated for the spring of 1983. And RCA Vice President James Alic said that company will bring its CED player to European stores early in 1983, or possibly before then "in a token way."

RCA used VIDCOM to unveil its first "bells-and-whistles" disc player: the firm showed a prototype unit with programmable random access, high-speed visual search, and picture or segment repeat.

As for current SelectaVision sales in this country, Roy H. Pollack, RCA executive vice president, said the company had sold 135,000 players and 1.4 million discs to dealers since the product was introduced in March. The sales rate "accelerated noticeably" after RCA kicked off its fall marketing campaign, he added.

The VIDCOM and ITA seminars brought home the fact that U.S. and overseas retailers have more in common than just the products they sell. For example, at one point in a discussion of video retailing, Tim Steel, general manager, consumer products, for Sony U.K., declared, "The margins on which most video retailers operate are sheer, bloody lunacy!" His statement was greeted with general applause. ■

## Audio survey: Who's buying?

What kind of retail outlet gets the bulk of the consumer's audio dollar?

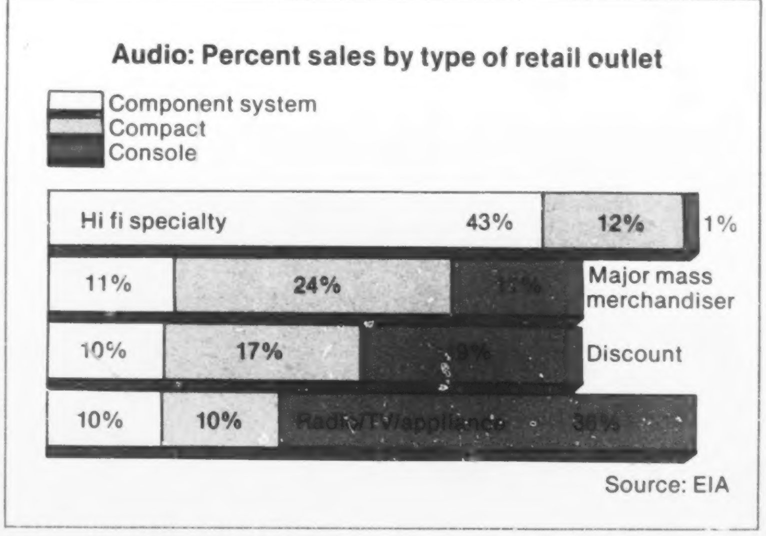
It depends on what type of audio product that consumer is buying. According to a recent consumer survey by the Electronic Industries Assn.'s Consumer Electronics Group, while hi-fi specialty stores not surprisingly get the lion's share of the component audio business, mass merchandisers are leading in sales of compact stereo systems and appliance/TV outlets hold the lead in console sales.

And in autosound sales, the survey said, hi-fi specialty stores again accounted for the bulk of the business, with discounters running a relatively distant second.

The EIA/CEG survey covered 2,007 consumers who had purchased home and/or car audio equipment within 18

*[Continued on page 40]*

**Audio: Percent sales by type of retail outlet**



Source: EIA

## Computer specialty stores using 'show-and-tell' to sell their wares; trained salespeople are important

**Retailers say consumers buying personal computers need a chance to watch the machines in action**

Other big-ticket-item retailers may be singing the blues this recession, but not personal/micro computer sellers.

According to dealers across the country, computers have demonstrated surprising resilience in the face of economic "belt-tightening" at both the consumer and small-business levels, and it's been "business as usual, or even better" for the entire year.

"Sales so far this year have been very good and seem to be holding at a fairly steady level," said Glenn Gronquist, sales manager of the Hopkins Computerland in Bloomington, MN. "It's rather unexpected to be doing this well, considering the way the economy is these days."

Gronquist sells Apple, Atari, Xerox, and IBM systems, and reports sales are split 50-50 between personal and business use.

"Customers in the personal-computer market are basically shopping price. People buying computers for their homes are looking for entertainment and education programming, and tend to be fairly price-conscious.

"Business users are looking for features and specific applications. If I can sell a business on an application, the fact that the computer is capable of doing the job they want done becomes more important than how much the system costs."

Business is doing also "real good" at The Computer Room in Kalamazoo, MI. Despite the fact that the midwest has been hit particularly hard by layoffs and slumps in the auto industry, staffer Parr Crone told MART his company "is seeing a fairly steady growth in the market, and I don't see any changes coming up to offset that."

The Computer Room's sales vary from month to month, depending on the size of the systems sold: "Sometimes we sell a low of 10 units a month, other times, a high of 30. Most of our sales are Apple business applications, with an average price of $5,000 to $25,000.

"The personal-computer market is still very young for us; we just got a Commodore for $300, and we're starting to do things with it. I see the personal computer market as growing."

Like Gronquist of Computerland, Crone believes price is not a big factor in small-business computer purchases: "They (business people) are trying to get a problem solved. Price doesn't really enter into the decision to make a purchase."

Software, most retailers agreed, creates the computer sale, and the repeat business that follows.

"Typically," Crone said, "software makes up 15 percent of the total sale. Most buyers start out with one application in mind and look for a computer that can handle it. After they purchase the system, get it set up, and run it, then people start to think about what else (other applications) their computer can do. They start coming back and asking, 'Hey, can I do this? Do you have a package for it?' For smaller systems, we generally use canned programs; on larger systems we can develop programs. We also do customization of canned programming."

Universally, game programs are the biggest sellers. Business needs may be the motivation behind computer purchases, but games generate repeat business, noted Ray Schlitzer, president of Micomp, Inc., which owns two San Francisco, CA, Computerlands (one more on the way): "People still enjoy playing computer games. Even when people buy business systems, they still pick up a game or two for between $24 and $34."

Most retailers surveyed run regular ads and occasional promotion campaigns. Computerland franchisees benefit from

*[Continued on page 46]*

## U.S. Tron exec predicts telephone shakeout

Is a shakeout looming in the home telephone market?

Morty Hova, president of U.S. Tron, thinks so. While a vast potential exists for small companies now entering the telephone market, he indicated, "unless they're really specialized, with excellent engineering capability and electronics background, they'll never be able to maintain a place in the sophisticated telephone industry."

And where does Ma Bell fit into this picture? "I believe Bell is going to lose more and more business," Hova declared. "The independent phone stores were a first step to help compete against Ma Bell. Now consumers are able to buy phones in department stores, electronics or camera stores, through catalog houses—even drug stores." ■

# Audio consumer survey: who's buying?

*[Continued from page 37]*

months. The breakdown by product purchased was 815 buyers of component stereo systems, 332 for compact stereo, 96 for consoles, and 764 for car audio equipment.

Of the component-system customers, 43 percent bought their equipment at a hi-fi specialty store, 11 percent at a mass merchandiser (Sears, Montgomery Ward, or JC Penney), and 10 percent each bought at a discount or appliance/TV store.

Compact-stereo customers bought mostly (24 percent) from a mass merchant, with 17 percent buying at a discount store, 12 percent at a hi-fi store, and 10 percent at an appliance/TV retail outlet.

Console-stereo customers bought 36 percent of the time from an appliance/TV dealer, 19 percent from a discounter, 11 percent from a mass merchant, and only 1 percent of the time from a hi-fi specialist.

As for the car-audio customers, 36 bought from a hi-fi operation, 14 percent from a discounter, 9 percent from an appliance/TV store, and 8 percent each from a mass merchandiser or car-stereo installer.

How did they make their buying decisions? Most of these home audio customers (64 percent of the component purchasers, 71 percent of the compact buyers, and 75 percent of the console purchasers) did not have a particular brand in mind when they entered the store.

Once they got into the store, price was the major factor in the brand decision in all three product categories (49 percent for component customers, 53 percent for compact buyers, and 30 percent for customers purchasing console stereos).

The retail salesperson did not have much influence on the buying decision for more than half of these consumers: 57 percent of the component customers, 73 percent of the compact purchasers, and 61 percent of the console buyers said the salesperson was not a factor in their decisions.

On the car audio side, 64 percent of the purchasers did not have a specific brand in mind when they entered the store, and 48 percent of the consumers made their brand decision based primarily on unit price.

Once again, the car-audio salesperson was not a factor in the buying decision 64 percent of the time.

After making their buying decisions, the overwhelming majority of the buyers of all four product categories paid cash for their purchases: 68 percent of the component buyers, 73 percent of the compact customers, 77 percent of the console customers, and 86 percent of the car audio purchasers.

Replacement sales accounted for about a third of the purchases of console stereo (31 percent) and car audio (34 percent) by these consumers. Forty-two percent of the component system purchases were replacement sales, as were 26 percent of the compact-system sales.

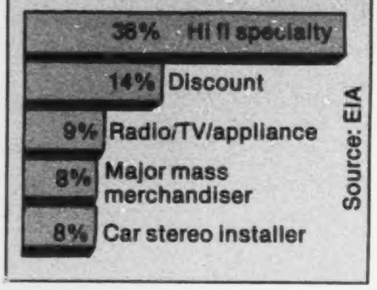
By contrast, 55 percent of the compact customers, 45 percent of the console buyers, 38 percent of the component customers, and 45 percent of the car-audio customers were buying their equipment for the first time.

The median price paid for the component systems purchased was $182 per component. Compact median prices were about $190, consoles about $204, and car audio equipment $93.

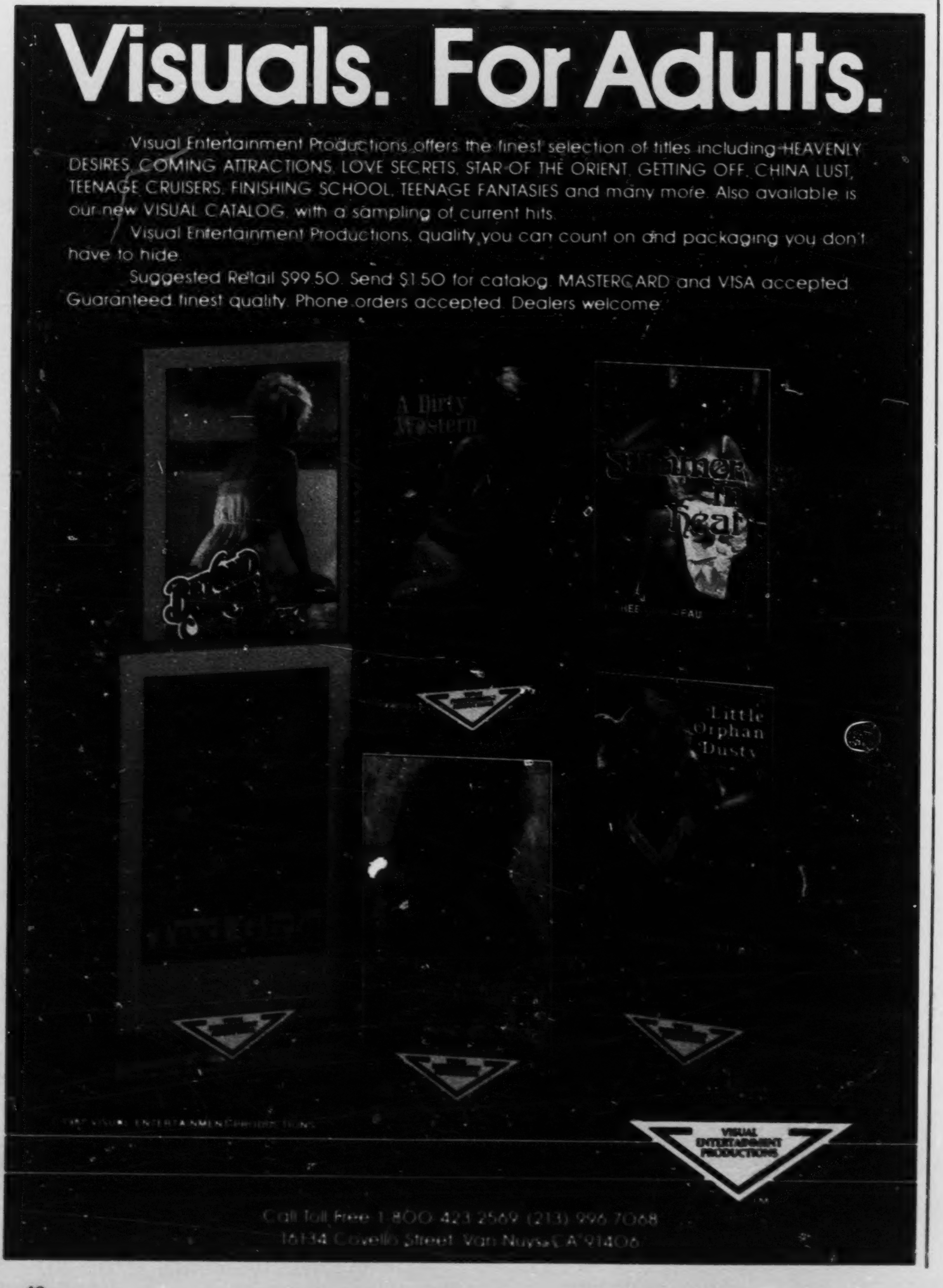
The purchasers surveyed ranged from predominantly male (75.3 percent) in the case of the car audio buyers to almost equally divided between male and female (47.8 percent male) for the console customers. The customer buying a console stereo also tended to be older (median age 30.6) and in a lower family-income bracket ($16,100 annually) than any others.

The compact-system purchaser had the highest median income ($20,500 per year), while the car audio customer was youngest (median age 27.4). ■

**Car stereo: Percent sales by type of retail outlet**



Source: EIA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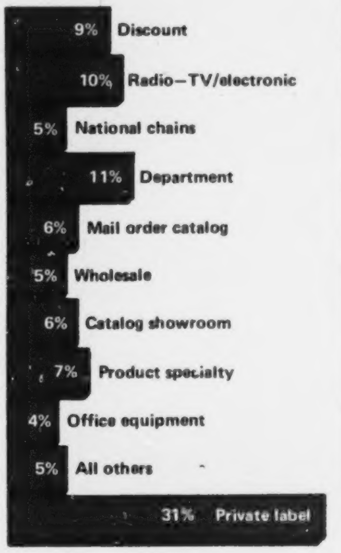
# Consumer Electronics

## Telephone companies still tops in answerer sales

It's risky business asking shoppers to rate retail phone answer salesmanship.

To take that risk out of rating sales performances, MART analyzed a PhoneMate survey consisting of 71,000 phone calls. People responded to the following categories: who's selling telephone answering devices; what makes consumers buy telephone answerers; and who owns what percentage of the market—the phone company or the retailer.

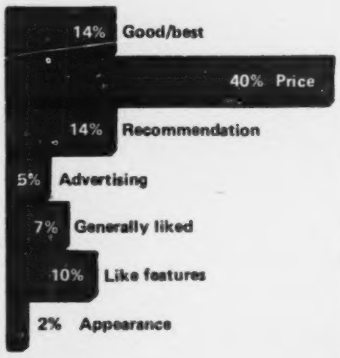
**Who's selling telephone answering devices?**



Source: PhoneMate, Inc.

**Conclusion:** Private-label vendors (such as Radio Shack) still carry a majority of the business. Discounters, department stores, and radio-TV/electronics outlets run almost neck-and-neck to tie up a good portion of the rest. (Note, too, that retailers in these four categories tend to advertise and promote answering machines, as well as telephones, more consistently than merchants in the other categories.)

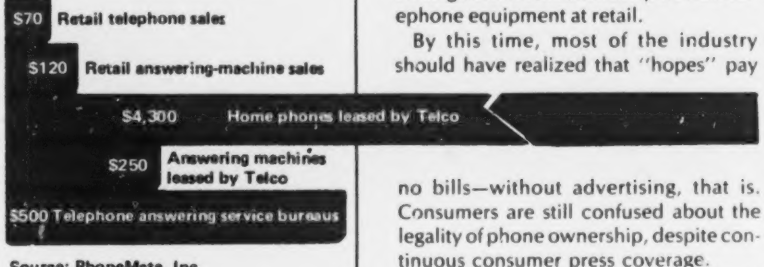
**What makes consumers buy telephone answerers?**



Source: PhoneMate, Inc.

**Conclusion:** Price is still an important factor in telephone answering-machine sales. Features wield some influence, but a reputation as the best product available or a recommendation from a current user carries more clout.

**Retail sales vs. Telephone Co. sales in 1980 ($ millions)**



Source: PhoneMate, Inc.

**Conclusion:** The telephone companies still own a lion's share of the telecommunications product market, and will probably retain that lead until the retail industry abandons its "hopes" that deregulation and the unbundling of telephone company rates alone will encourage more consumers to purchase telephone equipment at retail.

By this time, most of the industry should have realized that "hopes" pay no bills—without advertising, that is. Consumers are still confused about the legality of phone ownership, despite continuous consumer press coverage.

Up to now, manufacturers postponed campaigns—waiting for the "opportune moment." Retailers postponed, too, while they waited for manufacturers to step in and carry the ball. Guess who the winner has been? The telephone company. ■

## Room at the Top

**William R. Webber** has been named vice president and general manager of *General Electric's television division*, succeeding **Fred R. Wellner,** who will retire January 1, 1982. Until then, Wellner will serve as vice president, consumer products sector, for GE. Webber also becomes chairman of the board of *GE Video Inc.*, a wholly owned subsidiary. **Lud Huck,** general manager-marketing, for GE TV, is now vice chairman of GE Video as well, and **Thomas E. Tucker,** periphals marketing manager, has been elected president of GE Video . . .

*Hitachi Sales Corp. of America* has promoted **Robert J. O'Neil** to executive vice president and elected him to the board of directors . . .

*N.A.P. Consumer Electronics* has named three product managers for its Magnavox line; all were previously with *Magnavox Consumer Electronics.* **Robert P. Eastwood** is product manager for video cassette recorders and video disc players, **Charles E. Nelson** is audio product manager, and **Theodore H. Thompson** is product manager, video . . .

**Pete Fredriksen** has been promoted to vice president and general manager of *Jensen Sound Labs'* car audio components division; he was previously vice president of sales for the division . . .

*Midland International Corp.* has named **William F. Atkins Jr.** vice president of marketing and sales. He was previously with *Charmglow Products.* Also at Midland, **Jerry McCoy,** former central regional sales manager, has been promoted to national sales manager, consumer products division . . .

**Thomas M. Lopez** has been named to the new position of vice president of editorial development for *Activision.* He was previously with *J. Walter Thompson.* Also at Activision, **Karen Janowski** is the new manager of market planning, analysis and research, and **William F. Giles** is credit manager . . .

*Dynascan Corp.* has a new executive vice president: he's **Frank J. DiLeo,** previously president of *Samsung Electronics America*
Dynascan has also promoted **Dennis Burke** to the new position of general manager of the company's home security group; he was previously general marketing and sales manager of Dynascan's Cobra Communications product group. . .

**James M. Alic** has been elected group vice president of *RCA Corp;* he was previously vice president, electronic services and video disc operations . . .

*Mattel Electronics* has named **Michael C. Shea** vice president of marketing for non-video products. He was previously with *Pentel of America* . . .

**William J. Polich** has been promoted to director of merchandising for *U.S. Pioneer Electronics;* he was previously manager-marketing and product planning . . .

## Jensen exec sees car stereo shakeout ahead

The car stereo market should break the $2.5-billion mark in sales next year . . . but there may be fewer manufacturers selling the products.

That's the view of Pete Fredriksen, vice president and general manager of Jensen Sound Labs' car audio division. While anticipating an industry sales growth of up to 10 percent next year over the $2.2-billion-plus predicted for this year's volume, the Jensen executive feels a shakeout of suppliers is coming . . . and possibly of retailers as well.

"The number of manufacturers in the market will diminish in 1982, particularly in terms of those manufacturers who fail to position themselves properly in terms of targeting the part of the market they're after," Fredriksen declared. "I think retailers will also have to specialize in order to survive. They no longer can assume everyone in the world is their customer, but will have to determine which segment of the market they can best serve and do so accordingly."

One reason for the increased dollar volume next year will be a rise in the average selling price of a car stereo system, Fredriksen believes: this year the average ticket is from $250 to $350, while next year he sees that average system price moving up to about $450 and perhaps even $550.

Jensen's 1982 forecast breaks down to $1.8 to $1.9 billion in auto electronics sales, plus another $500 to $600 million in speaker sales.

What's coming in car stereo technology next year? No startling breakthroughs, according to Fredriksen: "Overall, the market will develop in a stable fashion, with a lot of emphasis on quality and reliability of product rather than achieving performance breakthroughs. More digital technology will be incorporated into car stereo electronics, and we'll see a continuing but gradual proliferation of programmable units vs. conventional pushbutton systems." ■

## Metal tape sells well, says Fuji's John Dale

Contrary to some industry reports, the metal-audio-tape market is doing well this fall, according to Fuji Photo Film—in fact, the firm expects metal tape to represent from 10 to 15 percent of its total audio tape sales this year, according to John Dale, vice president and general manager of Fuji's magnetic tape division.

For the total industry, Dale estimates metal tape will represent about four percent of the sales volume next year. He feels one reason why some other tape suppliers and/or retailers may be disappointed in the formulation's sales performance is that they expected too much of metal tape in the first place.

"Metal tape is the new evolutionary step in the development of the magnetic recording medium, not the end-all it has been called," Dale said. "Those who thought metal tape would quickly dominate the market have forgotten that it took chrome tape several years to reach a 2-percent market penetration, while metal has done that in its first year." ■

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December 1981

# MART

The Retailer's Magazine of Electronics/Appliance Profit Improvement

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# 365 WAYS TO BOOST 1982 PROFITS

# MART

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**Morgan-Grampian**

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ABP

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48 Have a **house brand** sale.

49 Start a **'Model of the Month' club.** Send monthly promotional notices to customers on your mailing lists.

50 When promoting washer/dryer combos, advertise them as a 'marriage of equals.' **Price the dryer the same as a wedding license,** when it is bought with the washer. Furnish a license for each sale.

51 Penetrate the youth market: 'Attention teens. Purchase any type electric housewares appliance for Mom's Day. Small deposit holds selection. Easy weekly payments out of your allowance.' Run again on Father's Day, Christmas or other holidays.

52 Offer a week-long **price special on a certain product at a specific time.** The first day, run a 7 p.m. special. Second day, run a 12 p.m. sale. On the seventh day, put all items on sale.

53 Run an annual **floor-care service clinic.**

54 At a **'Blenderama,'** demonstrate blenders, food processors, juicers, etc.

55 Use local promos and customer mailings announcing 'Prices to make your hair stand on end!' **Besides offering low prices,** give away a gift certificate good for a free hair styling at a local barber/beauty salon.

56 Give away **a free album** to customers, just for walking into the store.

57 Send post-sale giveaways in the form of an **Appreciation Card** mailed two weeks after the sale and delivery of a major appliance. The card can also be a voucher towards future purchases.

58 Tell customers they can **'Eat a free TV dinner with your family** in our video showroom.' Set up a banquet table with all the trimmings in the center of the room. Cook the dinners in your store's microwave ovens.

59 **Pre-announce all manufacturer price hikes.** Tell consumers to 'Buy now before prices go up!' Keep stores open an hour or two longer to underscore the rush.

60 Highlight home security products with a **'Stop thief!' promotion.**

61 **Visit coin-op laundries.** Note the license plates and get the owner's name from the county license registration list. Contact them by phone or letter to announce a special promotion on washers and dryers.

# Major Appliances

## Appliance efficiency continues to improve market

### AHAM offers guides to refrigerators and air conditioners for consumers and retailers

Manufacturers of major appliances see a growing consumer awareness of energy-efficient appliances.

And refrigerator-freezers, freezers, clothes washers, dishwashers, and room air conditioners produced in 1981 are, on average, more energy-efficient than ever before, they add.

Energy efficiency has been increasing steadily in recent years. According to the Assn. of Home Appliance Manufacturers, since 1972 dramatic improvements have taken place in appliance energy efficiency.

Andrew Takacs, vice president government and public relations, Whirlpool Corp., and chairman of AHAM's energy committee, commented, "Higher energy rates and increased consumer awareness of appliance operating costs have created a growing consumer interest in high-efficiency appliances. I'm confident manufacturers will continue to design more efficient appliances as much as current technology allows."

"There's definitely a market today for more efficient appliances," added John Slattery, manager of evaluation and standards operations for General Electric Co. and AHAM committee vice chairman. "We anticipate an even greater demand for efficiency in the future. Consumers will want to replace their older appliances with more efficient ones."

Consumers and retailers can find a listing of over 50 brands and 1,200 models of refrigerators and freezers along with annual operating costs and other important comparative ratings in the current edition of AHAM's *Directory of Certified Refrigerators and Freezers.*

The energy efficiency rating (EER), BTU/hour cooling capacity and other ratings are provided for 22 brands and more than 700 models of room air conditioners in AHAM's *Directory of Certified Room Air Conditioners.* Both volumes can be purchased for 50 cents each from AHAM, 20 North Wacker Drive., Chicago, IL 60606. ■

72 To give store windows a holiday look **frost the panes** with sprayed-on 'snow.'

73 Put **'reminders from Santa'** on gift-oriented items—little notes reading 'A nice gift for her. S.C.'

74 A couch in the sales room will **accommodate a family** while you give your sales presentation.

75 Two months before a holiday, conduct a sale: **'Buy One Now And Hide It 'Til _____.'** The item may then be returned for credit if the recipient doesn't want it, as long as the receipt and original wrapping are returned.

76 A two-line classified ad at the **bottom of the first page** of your local newspaper draws 'newsworthy' attention.

77 Remember trading stamps? Make up your own 'stamps' to be accumulated with purchases. Redemption can be dollars off later purchases or a larger goal of hotel accommodations and **dinner for two in the 'big city.'**

78 The Guinness Book of World Records is a great **source book** for sale ideas.

79 Put the back-up stock of featured merchandise at the **back of the store** so customer is exposed to other goods walking back to it.

80 Open a **name-designer housewares section.** Highlight individual product designer names.

### Polk Bros. gives away cookbooks with appliance purchases

Sol Polk, head of Polk Bros., Chicago, has a new promotion and reportedly has purchased between 60,000 and 70,000 copies of the *Better Homes and Gardens* revised cookbook.

Polk Bros. will use the books as gifts to customers who make "major name-brand purchases of appliances, TV, bedding and other featured merchandise at the stores," a company spokesman told MART. ■

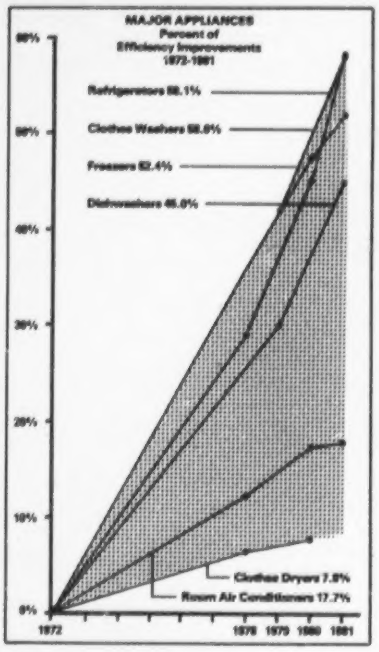
### High interest rates, low housing starts limit appliance gains

High interest rates and housing starts at historically low levels are making it difficult for appliance manufacturers to plan for future sales and earnings.

And according to S.B. Rymer, Jr., chairman of Magic Chef Inc., the current market situation will limit industry growth for the near future. However, he told company shareholders, the long-term outlook for the national economy, and in particular the major appliance industry, continues to be encouraging.

Company sales and earnings increased substantially in the first quarter of the firm's fiscal year. For the 14 weeks ended October 3, sales reached $191.4 million, a record quarter, up from $159.2 million in the same period of fiscal 1981. Net income was $4.1 million, up from $1.6 million a year ago.

The Magic Chef and Norge division reported 12 percent higher sales each. The Admiral division increased sales by 18 percent. ■



### Census-HUD reports 20 percent of households moved in 1978

According to data released by the U.S. Department of Housing and Urban Development (HUD) and the Commerce Department's Census Bureau, about 20 percent of the nation's 77.1 million households moved during the 12 months ending October 1978 (the most recent data available).

More than 15.3 million households moved, about half a million fewer than the year earlier.

The west, with 26 percent, had the greatest proportion of households that moved. And more than 20 percent of southern households moved, 19 percent in the north-central states, and 15 percent in the northeast.

The two-year total of households that moved in 1977 and 1978 was more than 30 million, or 40 percent of the total households in the United States.

Median family income for home owners who had recently moved was $18,700, compared to $16,800 for all home owner households, in 1978. ■

**MART**

303 **MONEY MAKER**

**Don't ignore top-of-the-line goods: Rather than restrict themselves to a single SKU offered by a manufacturer and ignoring the higher-ticket items in a line, retailers should take a look at entire packages: give the top of the line products a chance. If a dealer is concerned about selling higher-end products, then order a small sampling to test the market.**

***—Jim Serra,***
***Marketing Manager,***
***AMF Paragon Electric Co.***

# NOTE

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January's shows bring new products to boost sales

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# CONSUMER ELECTRONICS

MART
JANUARY 1982

## Zenith's Fisher sees '82 video sales up, up, up

**The VCR seems to have captured the imagination of the buying public: Zenith's president**

*Walter Fisher has been in the appliance/consumer electronics industry for almost three decades. In searching his memory, he does not recall a time during this period in which the industry has been so challenged by inflationary pressures, tight money, and high interest rates.*

*In an exclusive interview with* MART, *the veteran industry executive looked back at last year and ahead into 1982.*

*Fisher has been associated with Zenith since 1961; he was named president of Zenith Sales Co. in 1968, and is also executive vice president, sales and marketing, for parent company Zenith Radio Corp. It is believed he is the longest-term top sales and marketing executive in the consumer electronics industry.*

**If you had 1981 to live over again, Walter, what would you do differently?**

That's a difficult question. If I, representing Zenith, had 1981 to live over again, well . . . Zenith tried very hard to lead this industry into a more sensible pricing pattern, to increase revenue and profit potentials, because the industry badly needs it. Last year was not a good year for television manufacturers—how could it be when we are one industry that cannot reflect in end pricing any of the economic inflationary pressures?

We are making available better and better merchandise, higher-quality merchandise, but we have not been able to price at all to reflect inflationary pressures.

In 1981 Zenith tried to lead the industry into reasonable price increases, to increase revenues that were badly needed to support research and development and to support many things that have to be done to stay abreast of technological advances. The industry did not follow our lead at all. Just the opposite—it went the other way, to a point where Zenith found itself from time to time throughout the year out of line from a pricing standpoint. That cost us some money and cost us some volume.

If I had 1981 to live over again I would adopt a much more aggressively competitive attitude, which I will tell you we intend to do in 1982.

**What do you mean by a 'more aggressive' attitude? Will this mean more price-competitiveness?**

Zenith will be more competitive from a pricing standpoint, and will also have continuing introduction of high-technology products that we think offer excellent growth opportunity in the years ahead.

**How are retailers accepting these high-technology products?**

Two types of merchants are developing today in our business. One type is committed to chasing the price-point sale, at $299 for a 13-inch color set or $349 for a

*[Continued on page 20]*

## 1980s 'explosive period' for electronics: RCA

**The firm sees a retail potential of $26 billion in video by 1990; for 1982, video gains should grow**

This year will be "a very good year for consumer electronics in all product categories," believes Jack Sauter, vice president and general manager of RCA Consumer Electronics, because "the economy is still creating a very strong appetite for all electronics products."

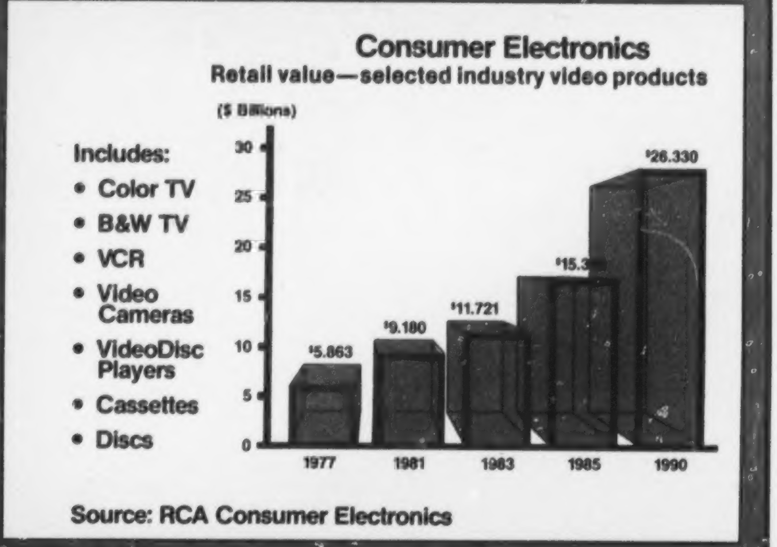
"And the 1981 gains, on top of a strong performance by most video categories over the past two years, should help assure that the 1980s will be "an explosive period" for consumer electronics sales, according to Sauter. By 1990, he believes the video industry has the potential to hit $26 billion in retail sales.

By the end of this year, according to RCA research, the video market should hit $11.7 billion in retail sales, paced by healthy gains in video cassette recorders and video disc players. The [illegible] feature, which Sauter described as "one of the biggest factors in the industry's growth," should [illegible] more than half of industry color TV sales by 1985.

Looking closer into the future, [illegible], president of RCA Sales Corp. predicted industry color TV sales of 11.2 million units for this year. Through October of last year, he added, about 40 percent of console color TV sales were remote-control models; remote was 30 percent of total color volume.

"We see that trend continuing, and we're going to try to foster it," he commented. To boost remote-control sales RCA kicks off a new "Reach for Remote" promotion January 24, with promotional allowances so the dealer can sell a [illegible] remote set at the same price and with only a small increase over the same model with manual tuning.

*[Continued on page 29]*



Source: RCA Consumer Electronics

## Audio forecasts 'flat as a pancake,' but suppliers hope for a fall surge

**Retailers need to hone their business management skills, according to audio manufacturers**

Are audio manufacturers cautiously optimistic or optimistically pessimistic in their outlooks for 1982?

That's a tough one to determine. Because while no supplier MART spoke with in mid-December offered a "blue-sky" forecast, many did couch their predictions in phrases such as, "The industry's flat, but my company's not," or "We haven't given up; 1981's not quite over yet!"

What does the future hold for audio retailers? In plain English, sales for most dealers and manufacturers have been, at best, flat, and that trend should continue through much of the first half of 1982.

The market could be blessed with an upturn in spring, if interest rates continue to slide and retail credit becomes more available. If not, retailers should keep an eye open for a possible "boomlet" in fall when consumers who socked away savings in an "All-Savers Certificate" recollect their cash.

"We're not losing our enthusiasm," Sam Rosenzweig, Kenwood Electronics' director of marketing, home entertainment division, told MART. "The market is soft, but business is still out there. Credit is an issue, though: with interest rates high, people in the market now have to buy with cash. A lot of retailers are not dealing in credit, and a lot of consumers can't afford to pay cash on large-ticket items."

But rather than sit and wait for traditional credit lines to loosen up, Rosenzweig advocates an aggressive pursuit of alternatives.

*[Continued on page 26]*

**MART**
**MONEY MAKER**

***'If your store carries video accessories or records in addition to prerecorded video cassettes, offer tie-in promotions. Offer a tape of a movie and a special savings on an accessory or the soundtrack album, if available.'***

***Robin Montgomery,***
***Director of Marketing,***
***Columbia Pictures***
***Home Entertainment***

## Shortages loom this year in video tape

Shortages of blank video tape are likely to continue through most of this year, and possibly into 1983 as well, according to a number of firms marketing video software.

But despite the availability crunch, these suppliers believe, price erosion at retail continues to be seen in the blank-tape market.

Mark Dellafera, director of marketing for BASF Systems, for example, told MART, "The price erosion that had been going on all fall accelerated as it got closer to Christmas. I don't really see any price stablization coming until sometime this year."

John Dale, vice president and general manager of Fuji Photo Film's magnetic tape division, agreed. "Price erosion at retail is a major problem in the blank-tape market," he commented at the recent International Tape/Disc Assn. video seminar. "A lot of dealers are trying to give the tape away, and that's one reason why there are so many failures in the video business."

Ed Pessara, national video products manager for TDK Electronics, told MART, "Price erosion is going on not only with

*[Continued on page 24]*

# 1980s will be 'explosive' for video: RCA

*[Continued from page 9]*

Sales of video recorders should range between 2 and 2.3 million units this year, according to Valencia, "depending on inventory." Of that VCR volume, about 35 percent of the sales should be portables; he expects the industry to sell 210,000 video cameras as well.

Black-and-white TV, the only video category not forecast for strong gains during the 1980s, should "plateau in the 5.5- to 6-million-unit range this year and through the mid-decade, Valencia said. About 70 percent of the monochrome volume is done in the 12-inch category, he said, adding, "The 12-inch sets are used as a catalyst by promotional accounts to bring people into the store and then hopefully sell them another set."

And what about RCA's newest product, the video disc player? Having been burned in the past by previous sales projections, Sauter is not forecasting industry or RCA disc sales for this year for publication. As of mid-December, however, he was estimating 1981 sales of RCA's player at about 100,000 units sold to dealers, with about 60,000 of those reaching the consumer by the end of the year. Consumers are buying an average of from 18 to 20 discs per player, he added.

Retailers' attitudes toward the SelectaVision player are also "quite positive," according to Sauter: "We're seeing a definite change of attitude among retailers, and we're getting more and more requests from dealers who want to expand their disc programs."

To help keep its disc-player sales moving, RCA kicked off a new promotion right after Christmas that will run at least until early February, and perhaps may be extended. In addition to the $50 rebate offered to player purchasers, the company is now offering a second option: instead of the rebate, the consumer may choose three free discs from a list of about 28 titles.

RCA also plans to continue its heavy broadcast and print ad campaign for the product through the first quarter: "We want to position the player for a very strong second half," Sauter commented.

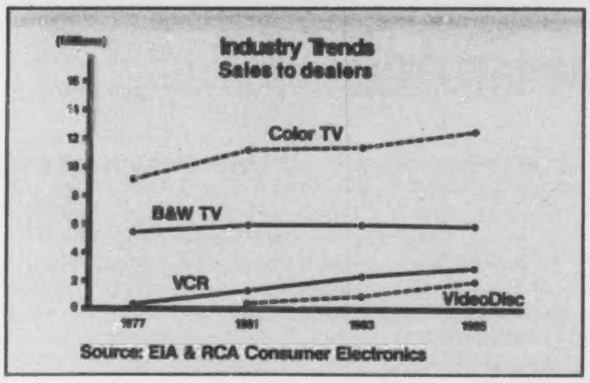
Merely cutting the player's price is not an option RCA will use to boost sales, however, he declared: "Pure price is not an effective merchandising tool for the disc if we were all to do just that. We have to incentivize, stimulate the consumer about the product and what it can do. We have to find every angle we can to generate consumer interest—and you can't do that at $299."

And although some retailers are selling CED players at about that level, "I do not think $299 will be a major price point in 1982," Sauter added. "If competitors' stereo disc players come in later this year at around $500, that's some step up. Anyway, the effective price of our player to the consumer today is considerably less than $499, because of retail discounting—and the consumer loves a bargain!"

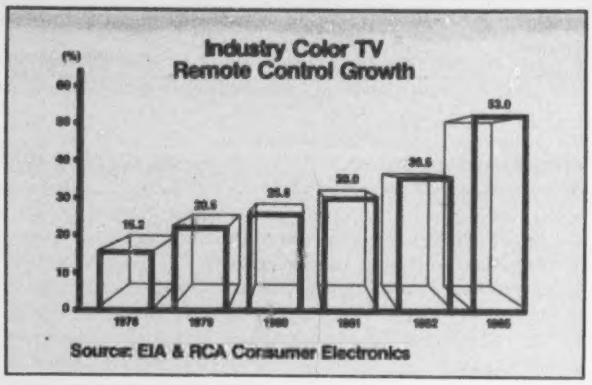
RCA has not yet set the final price on its own stereo disc player, to be introduced to the firm's distributors in May, "but there will be a differential from the monaural player," he said. ■

CATHY CICCOLELLA

# Consumer Electronics



Source: EIA & RCA Consumer Electronics



Source: EIA & RCA Consumer Electronics

Bob's T.V. SPECIAL
T.V

Retail's Never Easy...

But Philco Can Help You Keep The Wolf From The Door

Inflation, tight money, shoddy workmanship, cutthroat competition…now more than ever they're out there. Waiting to eat you alive. If you'd like to protect yourself, maybe now is the time to take a good look at Philco. Because Philco has the kind of color TV that consumers are hungry for…a good picture at a good price. Traditional American knowhow creating a modern American value. It's a price and picture story you can really get your teeth into.

Satisfied customers are great, but satisfied dealers are just as important. And that's our specialty. Because the Philco story translates into margin and movement for the retailer. Margins that give you an edge in the fight for profits, and movement that allows for intelligent inventory control.

The Philco line is available through a growing network of Distributors from coast to coast. Good, solid businessmen selling a short, sensible line that's plugged into mainstream America. They buy from us in carload lots, but they'll sell to you one-at-a-time. They understand the value of quick delivery, quality service and street-smart promotions.

Let's face it, we can't muscle the marketplace. We've got to make you love us. But if stability, cooperation and predictable profits count for anything, you will.

Contact your local Philco distributor or give our own Terry O'Flynn a call for further details at (615) 521-4865.

See us at the RIVIERA HOTEL in Las Vegas during the Winter CES

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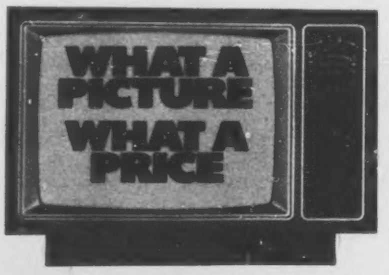


# Major Appliances

## Slight upturn in '82 predicted by gas-appliance execs

The expectations of Gas Appliance Manufacturers Assn. members who participated in a recent consensus survey of anticipated shipments of appliances in 1982 are that gas products will show an upward trend.

According to GAMA president Harry Paynter, the manufacturers' optimism indicates support and confidence in government's efforts to fight the growth of inflation.

But whether the expectations expressed by the appliance manufacturers will be fulfilled depends totally on whether the economy will cooperate with the government's anti-inflationary plans.

And, Paynter made clear that economic conditions had deteriorated somewhat since the survey responses were made.

One positive aspect of the economy, according to Paynter, is the beginning of a drop in interest rates. A continued lowering of rates would spur activity in the homebuilding industry. This would provide a boost in appliance shipments, and the rest would be dependent on consumer purchasing of replacement products.

Paynter feels much consumer purchasing has been postponed recently due to economic considerations. But if consumer confidence in economic policies is maintained, and lower interest rates are realized so financing of large purchases is more palatable, the appliance industry can only benefit, he said.

He added that gas appliances in particular would have an advantage in this situation, since new energy-efficient models allow the consumer to save the most in fuel dollars. ■

**Annual unit sales volumes of gas appliances**

| | 1980 actual | 1981 industry consensus | 1982 industry consensus | Percent change 1981-1982 |
|---|---|---|---|---|
| Free-standing ranges | 1,332,400 | 1,332,100 | 1,402,200 | +5.3 |
| High-oven ranges | 104,400 | 98,300 | 103,100 | +4.9 |
| Built-in ranges | 101,700 | 102,800 | 109,100 | +6.1 |
| Total residential gas ranges | 1,538,500 | 1,533,200 | 1,614,400 | +5.3 |

**MART MONEY MAKER**

**Modern consumers want products that look high-tech, sophisticated, perhaps fashionable, yet certainly practical.**

***—Edward Mackin, Maverick Industries***

## Maverick Industries formed to market line of high-tech grills

A new firm, Maverick Industries, has been formed to market a line of portable electric and charcoal outdoor barbecue grills, designed and priced to appeal to upscale consumers.

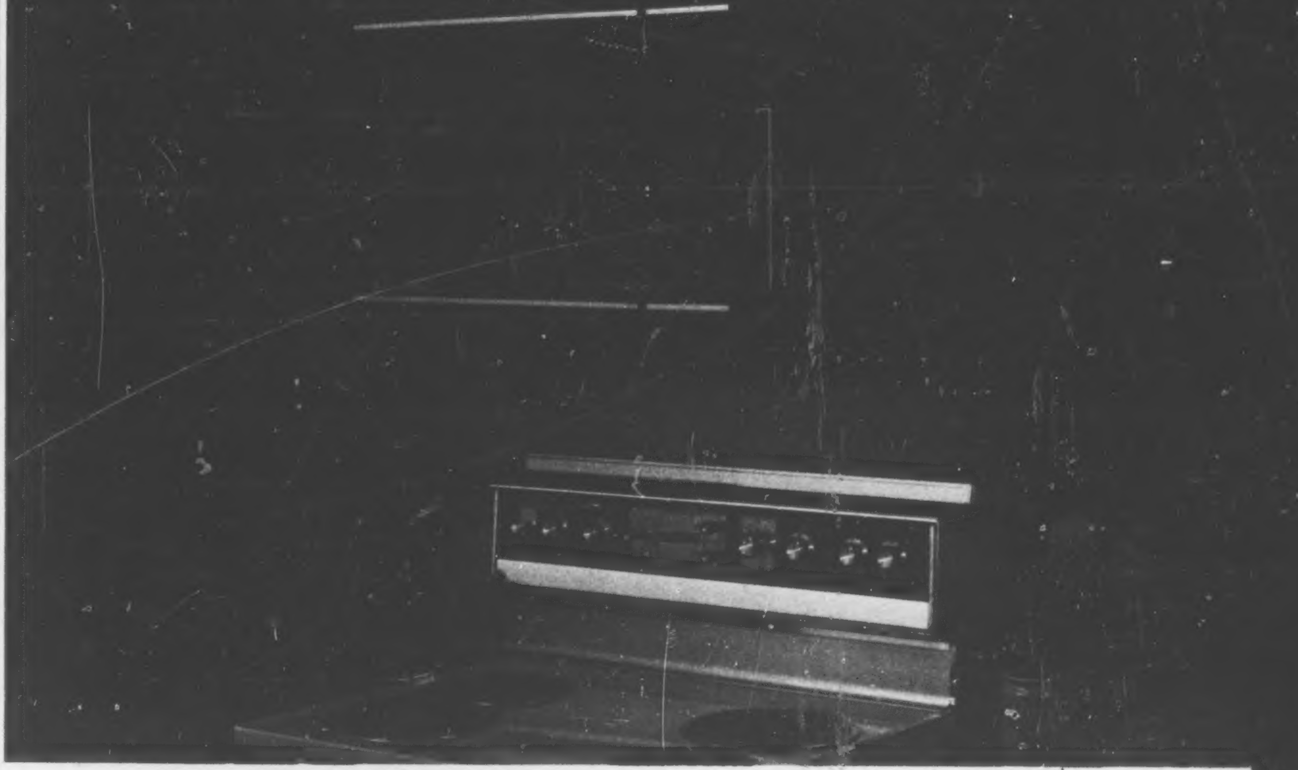
The company will introduce the new line at the Housewares Show in Chicago this month.

Company President Edward Mackin commented, "We know from our research that many consumers aren't satisfied with traditional barbecue styling. These modern consumers want products that look high-tech, sophisticated, perhaps fashionable, yet certainly practical. Cuisinart and Sony are perfect examples of companies with similar design approaches."

Maverick is planning a consumer advertising program to begin in late Spring; the program will include network television. In addition, the company plans colorful point-of-purchase materials and a carton/package that can be used both for display for selling the product, and as a gift box.

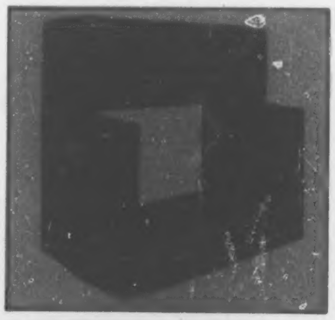
The suggested retail price range of the electric models is $80 to $280. Higher-priced models will include rolling carts. ■

We asked microwave customers a question that could increase your sales by 40%.



The new MicroMate™ combination range hood and microwave shelf is the 40% answer.

Next year over four million microwave ovens will be sold in the U.S. And when two independent testing agencies asked potential customers about the new MicroMate combination range hood and microwave shelf, they got some amazing answers. In each study, over 40% of the consumers said they would buy MicroMate to put their microwave where it belongs ... off the counter and over the range.



With a MicroMate Range Hood, there's no more lost counter space or crowded working areas. It's designed to fit virtually any brand of microwave oven and can be installed ducted or ductfree in any kitchen.

MicroMate features a quiet, yet powerful dual centrifugal blower to remove smoke and cooking grease from the air. There is a solid state, variable speed control. A 24" fluorescent tube lights up the cooking area. Only MicroMate brand offers your customers the exclusive "Heat Sentry™" to protect their microwave from excessive range heat. And it's built by Nautilus a leader in kitchen ventilation for 50 years.

Best of all, the MicroMate Range Hood is a high margin, high quality product. MicroMate will help you close microwave sales, and generate additional sales to current microwave owners. Either way, you'll add to your sales and make bigger profits.

*Call for your Nautilus representative today: 800-558-1717. He'll give you complete details. Your customers will love what MicroMate does for their kitchens, and you'll love what it does for your sales.*

MicroMate · NAUTILUS
OFF THE COUNTER AND OVER THE RANGE
NAUTILUS HARTFORD, WISCONSIN 53027

C6125-3

February 1982

# MART

The Retailer's Magazine of Electronics/Appliance Profit Improvement

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Cassette Game File
Cassette Game File
THE EXCITEMENT OF A GAME THE MIND OF COMPUT

BEST AVAILABLE COPY

# MART

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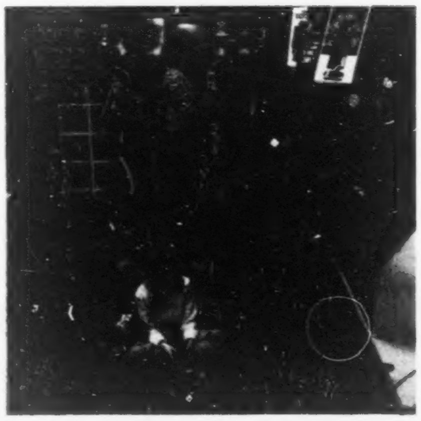
## CONSUMER ELECTRONICS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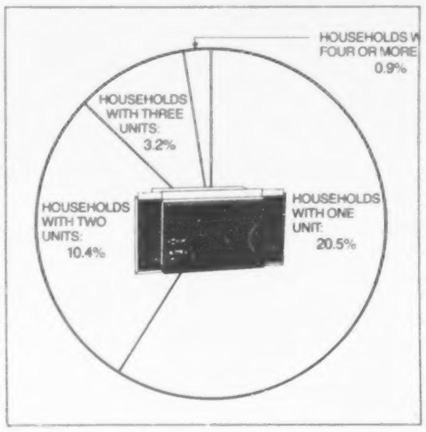

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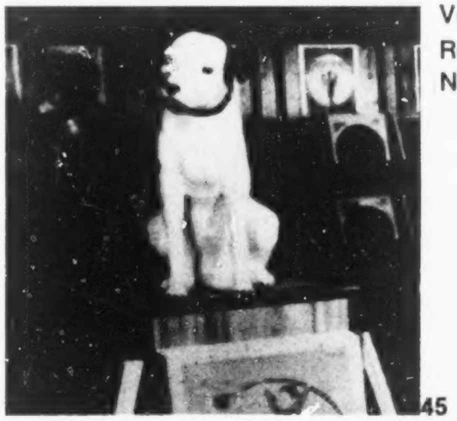
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**Cover photograph by Rick Barrick on location at Crazy Eddie's, Carle Place, NY.**

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# CONSUMER ELECTRONICS

MART
FEBRUARY 1982

## Audio firms seek boost from video

**CONSUMER ELECTRONICS PERSONALS**
**Attractive, middle-aged industry seeks young, dynamic live-wire idea or product to add excitement and sex appeal to business attempting to avoid rigor mortis. Interested in renewing vigor, regaining momentum. Marriage with appropriate video prospects neither encouraged nor discouraged. Contact: Any Audio Supplier.**

There's nothing like a mid-life crisis to jolt an industry into action. Like their counterparts in the American auto industry who sat, year after year, resting on their laurels, audio suppliers have been at CES after CES offering the same old stuff (SOS)—an interchangeable lineup of compacts and components.

If it weren't for gas lines and Japanese compacts, auto suppliers would still be running their businesses as usual. And if the advent of new video technologies hadn't pulled the rug out from under the audio establishment and crowned video the new king of the hill, audio manufacturers would be producing the SOS too.

But they're not—at least not as much.

For the second CES in a row, audio suppliers' booths last month reflected a new commitment to producing dealer-marketable product, featuring rack systems and stereo-to-go products.

And, they showed a lot more video. Smaller audio manufacturers have been slowly carving specialized niches in the video market—that is, developing videocassette-recorder and video-disc-player lines under their brand names and feeding them to their audio dealers.

*[Continued on page 10]*

## Video-tape rentals key issue at WCES

How video software suppliers should be handling rentals of their products—or, in fact, if they should be handling them at all—became one of the hot topics of discussion during last month's Winter Consumer Electronics Show.

With two new rental programs unveiled very shortly before the Show—a title-a-month plan from MGM/CBS Video and a revision of Warner Home Video's original rental-only proposal—software retailers had a number of different rental options among which to choose.

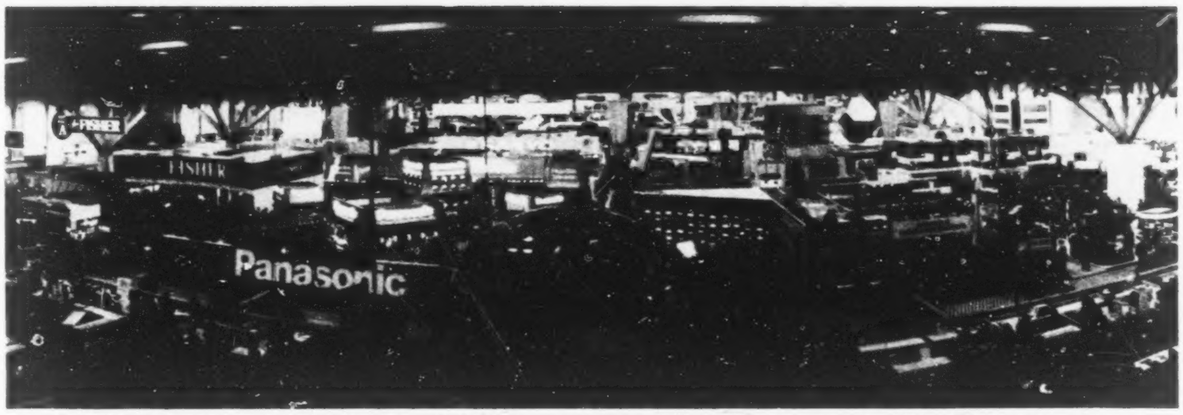
But many dealers apparently don't like any of the plans, and a group of about 300 of them met during the Winter CES to discuss formation of a national video dealers' association to combat the existing software rental programs.

*[Continued on page 11]*

## Cordless telephones, answerers hot for '82

Although manufacturers of retail telephones and telephone devices were divided in their opinions of exactly what effect last month's settlement in the Justice Dept.'s antitrust suit against AT&T will have on their business, they expressed little doubt that that business will be strong in the coming year.

*[Continued on page 10]*



**About 67,700 CES attendees spent four days in Las Vegas eyeing 1,000 exhibits crammed with the latest products.**

## Winter CES mood more upbeat than expected

Retailers attending last month's Winter Consumer Electronics Show found a welcome variation of the old "good news-bad news" jokes: this time the news was nearly all good.

First the good news: despite predictions early in December that the recessionary Grinch was going to steal Christmas '81, most stores staged a last-week comeback in sales—at least in electronics categories—that enabled buyers to come to Las Vegas in a better open-to-buy position than many had anticipated only a few weeks before.

Now the rest of the good news: while this CES was not as strong in new-product revolution as some of its predecessors, enough evolution in technology was on view to give retailers a feeling for the direction the market will take this year, especially in the areas of electronic games, telephones, and video products . . . three categories pegged as the hottest contenders for 1982 consumer dollars.

About 67,700 Show attendees crowded in to view the offerings of nearly 1,000 exhibitors, according to CES management, and to hear some upbeat predictions about the future of the consumer electronics industry in general.

Kicking off one of the CES seminars, Panasonic President Ray Gates, chairman of the Electronic Industries Assn.'s Consumer Electronics Group, offered some advice to retailers heading into this new year: keep abreast of product development and merchandising trends, and structure your businesses accordingly.

"Just talking about the fact that our industry is recession- and inflation-resistant won't do us any good," he warned. "We can't rest on our laurels." And, Gates added, "Audio or TV retailers who have broadened their scope in product and market development are doing well—those who haven't may fall by the wayside." ■

## Games retailers are playing for hefty profits in '82

**With video sales alone projected to hit nearly $2 billion this year, more dealers are playing the game**

Electronic games are providing retailers with a lot more than just a pleasant way to wile away a lunch hour these days. Games—both video and hand-held—are expected to be one of the fastest-growing consumer electronics categories this year, with video games and cartridges projected to near the $2-billion mark in retail sales in 1982 and portable games pegged at considerably more than that.

Manufacturers' shipments of game hardware should reach about 3.3 million units this year, suppliers predict, while software unit sales are expected to hit the half-billion mark.

Sales of video-game hardware have been steadily increasing as the products become more sophisticated. And, feeding on the game devotee's insatiable appetite for more challenging game variations, companies supplying game software are working overtime to top themselves creatively and at the same time keep up with the skyrocketing demand.

With the average electronic-game owner playing his (usually) or her game two hours each day, according to manufacturers' estimates, the "razorblade" potential of the software sale is attracting a number of new retailers to the field.

"We see an annual growth for electronic games of from 10 to 15 percent a year through 1990," declared Richard Hoag, vice president of sales for Mattel Electronics. "This industry is becoming both profitable and predictable, and entertainment is only one facet of its possible applications."

*[Continued on page 12]*

**The market for games like Mattel's Intellivision is booming. Write in 275.**

# Consumer Electronics

## Compete with Ma Bell, not other dealers: Phone-Mate

**As telephone volumes hit $5 billion, the retail market's share is growing, says VP Bob Petkun**

Want to make an impact on potential telecommunications product customers?

Then instead of trying to compete with price-purchasers, other retailers, or phone-equipment manufacturers, dealers should be training their big advertising and promotional guns on the competitor that undercuts their business most: Ma Bell.

That's the advice of Bob Petkun, marketing and sales vice president of Phone-Mate, Inc. Petkun feels the company that handles a majority of the telecommunications business is a public utility, not an electronics retailer.

"As a manufacturer," he told MART, "my competition is the phone company, and it's the same for retailers. This business is not Montgomery Ward vs. Sears. It's Ward's vs. the phone company, or Sears vs. the phone company. Successful retailers will position themselves against the utility—not necessarily against each other."

According to independent market research initiated by Phone-Mate, telephones and telephone-related products are a $5-billion industry; the retail market accounts for less than 4 percent of that total. But because of upcoming telephone company deregulation and new products, Phone-Mate predicts 1985's retail sales will be in excess of $700 million, rising to $1.6 billion by 1990. Half this growth, according to the company, will be in cordless telephones and answering devices.

"We've done our homework, spending over $200,000 in market research, and talked to 250,000 people to better understand the consumer's feelings about the telephone," Petkun said. "We learned that people love the phone because it lets them reach out, but we also learned that they hate the phone because it rings when they are in the shower, or having dinner, and more often than not, it's a pushy salesman or a wrong number. Plus, people really want to know who's calling."

Phone-Mate is making a concerted effort in the burgeoning consumer side of the industry, which it targets as the fastest-growing segment. Its studies indicate cordless phones as the category likely to experience the strongest growth in the next 10 years, so Phone-Mate has introduced its first cordless telephones.

The RoamPhone cordless phone line includes two "Princess-style" handset/receivers and a speaker phone. Each is compatible with most answering machines and includes the company's patented "Call Screening."

"Because of its design, more than one RoamPhone can be used with one transceiver," Petkun added.

A new answering machine, the IQ 3000, is a programmable system that may record three different outgoing messages (two may be programmed to play at specific intervals), and features Beeperless Remote, which allows system operation via any touch-tone telephone. The idea, according to Petkun, is to provide the consumer and small- or home-office user with a more "personable" approach to answering devices.

Phone-Mate will back its introductions with a $4-million ad campaign in 1982. The company designed the campaign to tie into consumer frustrations with standard phone systems.

"We'll be banging away with the biggest ad budget in the business," said Petkun; the campaign's focus will be on the theme, "The end of the dumb phone . . . We're talking smart." ■

**Projected rate of growth (retail):**

| | 1982 | 1985 | 1990 |
|---|---|---|---|
| | **$ millions** | | |
| Cordless phones | 80 | 310 | 720 |
| Telephone-answering machines | 140 | 180 | 240 |
| Standard phones (non-specialty) | 90 | 80 | 70 |
| New phone appliances* | - | 200 | 525 |
| Misc. | 20 | 50 | 75 |
| Total | 330 | 820 | 1,630 |

*New telephone appliances are defined as yet-un-marketed products, which combine a telephone with a 100v hook-up.

Source: PMI estimates

## Newswatch

**Cybernet International is now handling U.S. distribution for KLH-brand products; the KLH speakers are being manufactured by IKC International . . .**

**Rubik's Cube has moved to video: Karl Video Corp. introduced a 108-minute video-cassette program on how to solve the cube at the Winter Consumer Electronics Show. The tape is called 'The Cube: Solved' . . .**

**General Consumer Electronics Corp. is adding two new watch/electronic game combinations, 'Arcade-Time' and 'Sports-Time,' both retailing for under $40. Arcade-Time offers four games, Sports-Time three . . .**

**A new pre-recorded video tape line premiering at the Winter Consumer Electronics Show, Vestron Video, got underway with 10 titles, including feature films plus 'Richard Pryor Live in Concert' and three music titles . . .**

**Yet another home entertainment show is slated for the Chicago area April 14-18. The Electronic Home Entertainment Show, to be held at the Arlington Park Race Track Exposition Hall, will run concurrently with the Energy and Home Improvement Fair and will be open to consumers. For information contact Expo Management, Suite 82-132 Arcade, The Apparel Center, Chicago, IL 60654 or call (312) 329-1191 . . .**

**Fox Marketing plans national distribution this quarter on its entry into the scanner market, a model it says can function as a base, mobile, or portable unit. The $350 unit went into limited distribution late last year . . .**

**The new Yamaha consumer ad campaign features musician Chuck Mangione, under the theme, 'Yamaha: for the music in you.' The firm also has a new sales-incentive allowance program for dealers, replacing its co-op advertising plan; Jay Eagle, audio sales division manager, said the firm's dealers are very pleased with the program . . .**

**Casio's sales were up 22 percent in 1981, according to President John McDonald. And of the 70 million calculators produced worldwide last year, the company claims 40 percent of the total production . . .**

**Media Home Entertainment is offering dealers a new rack system for displaying video tape. The company hopes to sell between 20,000 and 40,000 racks in the first year of distribution; the racks are modular, with each unit holding 48 tapes. Prices are $150 and up, depending on size . . .**

**Sony plans to add at least three new Betamax models at its spring line showing . . .**

**Magnavox plans to use a reliability theme in its color TV advertising for at least the next two years, according to Sales Vice President [illegible] Thomson . . .**

**Next month MGM/CBS Video will introduce a video cassette of 'Nicholas Nickleby,' the 8½-hour play that recently closed on Broadway. The play is contained on four cassettes and will retail for $500; it will not be available on any other video medium until 1983 . . .**

**King of Video held a special Winter CES clearance sale of pre-recorded video cassette titles, offering dealers between 5 and 80 percent off regular prices . . .**

**Universal Security Instruments is offering consumers a free smoke detector with purchases of its $110 Ultrax home burglar alarm through March 31 . . .**

## Hanimex goes two-step, expands audio, video offering at WCES

Hanimex (USA) Inc., with world headquarters in Sydney, Australia and with worldwide branches, is setting up a two-step distribution system in the United States to sell its consumer electronics line to appliance/television dealers. The company will have about 60 independent distributors. Hanimex, with U.S. headquarters in Elk Grove, IL, has been marketing its consumer electronics products in this country through photo dealers, department stores, and direct-mail companies. (Direct-mail has represented about 50 percent of Hanimex's sales in the U.S so far.)

George Simkowski, Hanimex (USA) executive vice president and chief operating officer, told MART he hopes "to complete the distributor organization very soon."

Introduced at the Winter CES were a number of audio products, including an FM stereo headset at $50, a stereo cassette headset at $100, and what Simkowski believes is the industry's first mini digital clock radio/FM headset, also priced at $100.

The company also unveiled two small-screen black-and-white TV models, a TV/radio combination model with 2-inch screen at $200, and a $250 combo unit with 3-inch screen.

Simkowski said next fall Hanimex plans to introduce a slide-projection system which will permit viewing of the slide on a TV screen. He estimates the suggested retail price of this unit will be under $500.

Hanimex has been in the consumer electronics business since 1972.

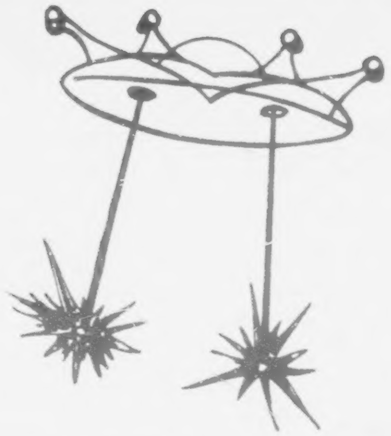
Hanimex will start limited national consumer advertising in February, with television spots and national magazine ads.

"We have also been experimenting with radio spots and have found radio a strong medium," Simkowski said.

Simkowski also believes keeping the Hanimex name active in the direct-mail field will help to acquaint the consumer with the brand and the product, and help retail sales. ■

# Consumer Electronics

# Video games and computers add zip to retail profits

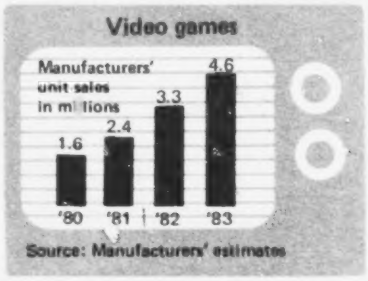


*[Continued from page 5]*

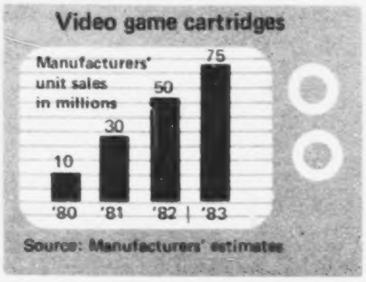
What are some of the other facets? The line between video games and personal computers continues to be blurred, as game suppliers increase their inventory of personal-business and management cartridges, while at the same time manufacturers of home computers add to the supply of games for their units.

Game manufacturers are going off on other tangents, as well. For example, at last month's Winter Consumer Electronics Show Mattel introduced Diet-Trac, a hand-held "personal diet computer system" now being test-marketed at about $50 in Denver and St. Louis, for national availability in the second quarter. The firm has also developed Synsonics Drums, a simulated-drum product that will be out this summer.

Other firms which have been in different facets of the electronic-game market are also beginning to diversify. Coleco, for example, an early entrant into the dedicated video-game market which pulled out when that market started to fade in the face of competition from programmable video games, has been concentrating on hand-held games in recent years. Marketing Vice President Michael Katz reported strong retail reaction at the Winter CES to Pac-Man, a table-top version of the popular arcade game, licensed to Coleco by Midway.



Source: Manufacturers' estimates



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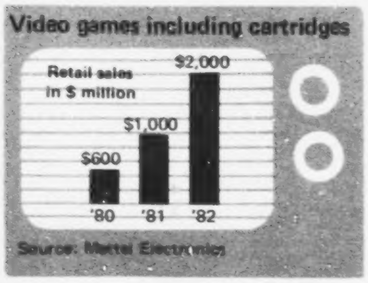


Source: Mattel Electronics

Coleco's new tabletop Pac-Man game offers the action and sounds of the arcade version. **Write in 300.**

At the same time, Coleco is also getting into production of cartridges for video game consoles: the firm's initial offering will be six cartridges for both the Atari and Mattel game consoles, to be available during the third quarter.

Other companies are also recognizing the potential of the game-software market, estimated to reach about 50 million units in manufacturers' shipments this year.

Activision, a pioneer in video-game cartridges, will see its sales hit about $50 million as its fiscal year ends in March, up from about $5 million the previous year, according to President Jim Levy. At present Activision makes cartridges only for the Atari system, but Levy said he is considering adding games compatible with Mattel's Intellivision as well—"We may have more to say about that in June," he told MART.

A new entry in the game-cartridge field, Imagics, also made its bow with Atari-format games at the Winter CES. President William Grubb indicated the firm feels strategy games will be especially strong this year.

A number of new video-game consoles and/or accessories also were unveiled at last month's show in Las Vegas.

Atari, for example, showed off a new Supergame console incompatible with its current Video Computer System. The new unit, expected to sell in the $300-to-$349 range when it becomes available in a few months, will start with an initial library of about 14 game cartridges, selling for about $30 each.

Atari is also bringing out new cartridges of popular arcade games, including Pac-Man and Bersek. The firm plans to offer cartridges for at least three arcade games this year, with more planned for 1983.

Mattel showed off a voice synthesizer for its Intellivision system, called Intellivoice. The company is also expanding test-marketing of the keyboard attachment for Intellivision into three additional markets, Columbus, OH; Atlanta; and Denver, according to Marketing Vice President Bill Gillis.

"These test markets will tell us more about the direction we want to go with the keyboard," Gillis told MART. "We're building toward a national rollout."

Other new game entries at the Winter CES included the Ultimax game from Commodore, a $150 unit with keyboard, joystick control, and about a dozen game cartridges at around $50 each; and a new Video Computer Center with two wired hand controlers from Tryom, manufacturer of the Omar hand-held chess and backgammon games.

## MART MONEY MAKER

**'The video game does not have to be a seasonal product—a creative retailer can sell both game hardware and peripherals year-round, but it's critical to participate in manufacturer promotions and advertise throughout the year.**

**'Don't walk away from the video game during the first three quarters of the year assuming it's just a Christmas gift item.'**

***—Bill Gillis***
***Marketing VP,***
***Mattel Electronics***

## A video game 'boutique' approach boosts sales for Crazy Eddie in the New York City area

**'Anyone would have to be pleased with the video-game business!'**

**That's the view of Ray Navarrete,** merchandise manager in charge of electronic games for the 10 New York City-area Crazy Eddie stores. And to make game sales even greater, Crazy Eddie established video-game 'boutiques' in eight of its stores last fall, setting aside a special area in each store for games and software, so customers can come in and get hands-on experience playing the latest in electronic entertainment.

**The eight Crazy Eddie stores with the special game boutiques,** (such as the one in Carle Place on Long Island shown on our cover), carry four video-game hardware brands: Atari, Mattel, Bally, and Odyssey. In addition, according to Navarrete, 'We carry all the cartridge brands available.'

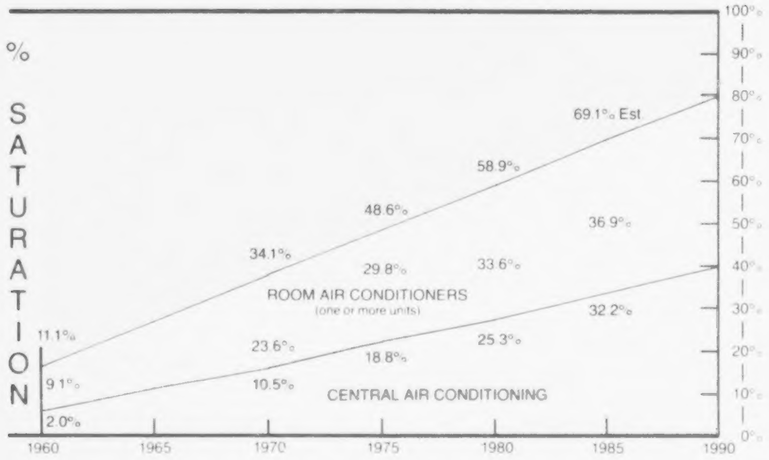
**In each store, the game area is located so it can readily be seen** as soon as a customer walks in the door. And once that customer has bought a game console, Navarrete told MART, 'We usually sell at least one game with the original console purchase, and then the customer will buy at least a half-dozen, if not more, game cartridges during the first year of ownership.'

**While game-hardware sales tend to be seasonal,** clustering around the Christmas season, Navarrete said, "the software is a year-round business.' Customers tend to be either parents buying cartridges for their children, or adults (primarily men) buying for their own enjoyment, he added.

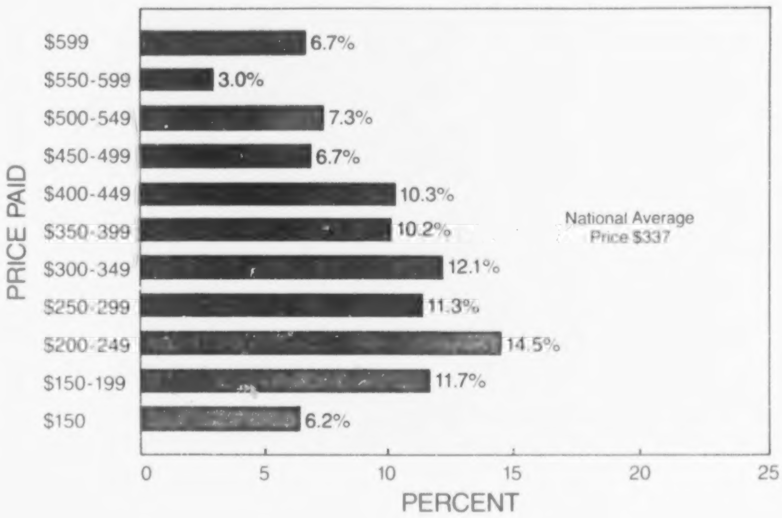
**Crazy Eddie ran several radio and TV commercials focusing on games** during the Christmas season, Navarrete said, and plans to continue promoting the category during the coming year. Advertising hits heavily on price: 'We'll beat any legitimate price customers can get elsewhere that we can verify,' he commented.

**Why the boom in electronic-game sales?** 'People are staying home more these days, so they're buying more games to stay home with,' Navarrete commented. And what does he see ahead for the category? 'Consumer awareness about video games is still not what it should be, although the recent *Time* magazine cover story on games should help,' he told MART. 'Once potential customers become more aware of what's available, sales should be even stronger.'

**Room and central air conditioning saturation**



**Prices paid for units during 1980**



# Charting the trends in the room-air market

## Replacements, second units outnumber first-time sales

The room-air-conditioner market is much more stable than it used to be.

While sales and unit shipments are down from the 5-million-unit years common in the late 1960s and early 1970s, recent sales and shipments have stabilized at between 3 and 4 million units a year.

But despite stability in unit sales, changes are taking place in the market.

The last two seasons have been near-sellouts in the industry, and field inventories are at historically low levels. But because of the high cost of product financing, retailers are showing a reluctance to reorder early in the season; as a result, manufacturers and their distributors have been forced to carry more early-season inventory.

This trend seems to be cutting into pre-season sales activity. Retailers are content with the sales they get when the weather turns hot. The extra promotion needed for a pre-season sale is seen as a lot of effort for perhaps a 10-percent increase in sales.

Retailers are ordering units later than they used to, and in many cases are also ordering fewer units—they don't want expensive inventory left over at the end of the season. They are ordering what they know they can sell, and not a whole lot more.

Manufacturers, for their part, are fearful that in an extended summer heatwave they might not be able to supply units fast enough or in great enough quantities, and shortages could develop.

Other changing trends in the room-air business warrant attention.

With fewer units in the field, it has been easier for manufacturers to institute price increases: industrywide prices are rising faster than they used to. A number of manufacturers announced new price increases in November and December, effective early this year.

With high utility rates becoming even higher in many areas, some evidence exists that consumers are finally purchasing more energy-efficient air conditioners. Manufacturers are offering fewer low-efficiency models than in previous years; most lines are both shorter and more efficient.

As units purchased in the 1960s and early 1970s begin to wear out (and more than 40 million units were sold between 1963 and 1973), retailers can expect an increase in replacement sales. And traditionally, replacement customers step-up to full-featured (higher-priced) units.

In addition to more replacement customers, a growing market of multiple unit families also exists. Of the 35 percent of U.S. families that own at least one room air conditioner, about 40 percent own more than one unit, and the proportion of multiple-unit families is growing.

In warmer areas of the country, where central air conditioning is common, a growing number of consumers are turning off their central air conditioning in favor of one or more room air conditioners. This emerging market accounts for an estimated 10 percent of the total room air conditioner market.

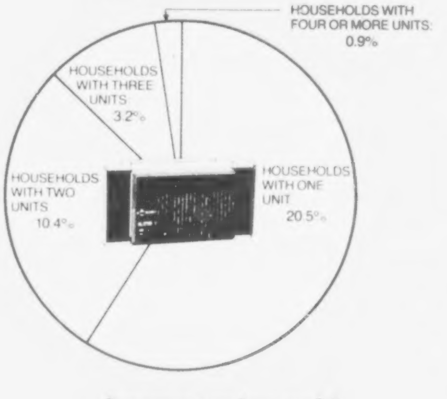
What emerges is a market that is shifting, both geographically and in its target consumer. Increasingly, today's room-air-conditioner consumer is a replacement customer or multiple-unit purchaser, someone who has purchased a unit before. The first-time buyer is less frequent than in past years.

And a growing proportion of the market is shifting to the south and sunbelt—areas normally associated with central air conditioning, but that are becoming more and more a factor in the room air-market.

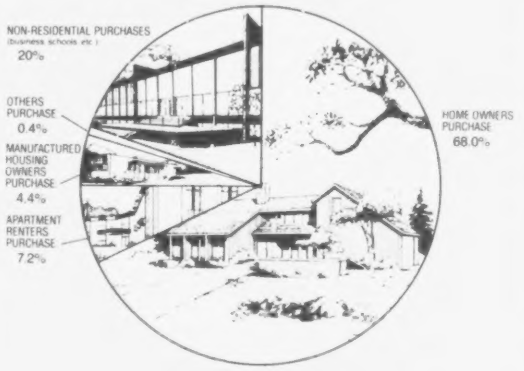
Manufacturers are confident that the 1982 selling season will closely parallel 1981: both years started with a nearly empty distribution pipeline. And the combination of a more dependable replacement market and a growing number of multiple unit families ensure steady business. ■

JOHN FOSTER

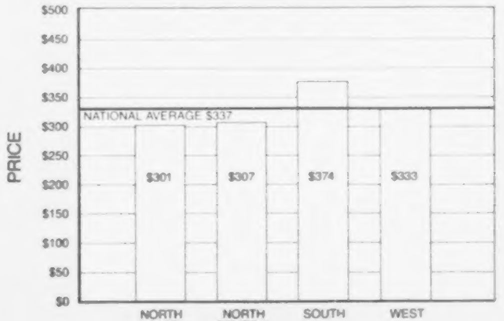
**The market for replacement sales and additional units**
**(35 percent saturation)**



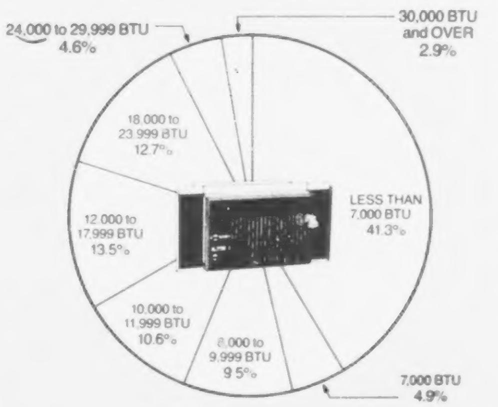
**Who purchases room air conditioners?**
**Based on 1980 sales**



**Average price paid per unit regionally in 1980**



**Size of units purchased during 1980**



**Charts by Whirlpool Corp.**

# WCI's Chiarucci says appliance future is upbeat

**New household formations and a healthier economy should spur sales over the long term**

Despite declines in housing starts and spending for consumer durables, there is still room for optimism in the major home-appliance industry over the long term, according to Vincent Chiarucci, executive vice president of White Consolidated Industries, and current board chairman of the Association of Home Appliance Manufacturers.

According to Chiarucci, changing lifestyles will affect both the type and number of appliances sold over the next few years. "As more working wives and single people enter the workforce, there's a corresponding demand for appliances that perform household tasks quickly and conveniently," he said.

That is one reason why microwave ovens continued to show dramatic growth in 1981 despite the economy, and despite the fact that most appliance categories declined.

As the prime rate drops and consumer prices rise slower than in the recent past, Chiarucci said there is room for optimism. "If you couple these positive signs with the current growth in personal savings and the reduction in income tax withholding that's due in mid-1982, a rebound in consumer spending appears to be indicated.

"In the past 20 years, the number of American households has increased from 53 million to 80 million. And one forecast claims that there may be as many as 97 million households by 1990. But at the same time the average size of each household has gone down from 3.3 people in 1960 to 2.78 people in 1980. This is a reflection of the increase in single-person households, estimated to reach 28 percent by 1990, compared with only 7 percent in the late 1940s," he said.

What this means to the appliance industry, according to Chiarucci, is there will be a demand for more appliances but they are likely to be smaller in size. "Obviously, a single person has no need for a family-size refrigerator/freezer when a smaller one will do," he said.

Chiarucci also pointed out that it is the 25-to-34-year-old age group that is the fastest growing segment in the society. These are the people most heavily involved in household formations and raising families.

With the national median age increasing, and with higher average levels of education and disposable income, the replacement market should also grow, he said.

"In 1973, more than 38 million appliances were sold, the best year in industry history. In the past two years, sales were at a rate of 32 million units per year. With sales down, appliances now in use are obviously getting older. This suggests that many appliances will soon be ready for replacement," Chiarucci said.

He also noted today's appliances offer many more features and advantages than those of 20 years ago, and especially important is that today's appliances are much more energy-efficient than those of the past. ■

# MAJOR APPLIANCES

MART
FEBRUARY 1982

## Manufacturers diversify lines to meet changing life styles

This kitchen was displayed by Whirlpool at the NAHB convention.

The numbers are right—but the economy's wrong.

There will be millions of new households formed in the next 10 years, but few householders will be able to afford new homes.

The American Dream of a house in the suburbs has been scaled down. Even owning an attached home or condominium is fiscally out of the reach of most consumers.

The average size of the American home is shrinking, and proportionally more families live in apartments.

And though the kitchen has not yet been affected by the overall smaller home floorplan, in time, it will be.

The appliance market in the future will be much more fragmented than in the past. Manufacturers will offer specialized products to match the needs of a population that increasingly likes to express its individuality in the products it owns and uses.

Appliance manufacturers introduced many new and innovative products at the recent National Association of Home Builders (NAHB) Convention in Las Vegas. Many of the products are pictured on pages 35 and 36. ■

## Majors are still a consumer bargain

According to the Association of Home Appliance Manufacturers, appliances are still one of the best values available to the American consumer.

Today's consumer can "earn" an appliance in fewer hours than was required 20 years ago, thanks to higher wages and the fact that appliance costs haven't kept pace with inflation.

Today the American worker must work about 82 hours to earn enough money to buy a refrigerator compared to more than 153 hours in 1959; 54 hours on the job today will buy a clothes washer, compared to 128 hours in 1959.

Although appliance costs have increased over the years, they have not increased at the same rate as other products and services. According to the August 1981 Consumer Price Index, appliance costs have risen 74.9 percent since 1967, compared to a 176.5 percent increase for all goods and services. In the same period medical costs were up 199.3 percent, food and beverages were up 170.1 percent, transportation costs were up 183.7 percent, and housing costs were up 199.7 percent.

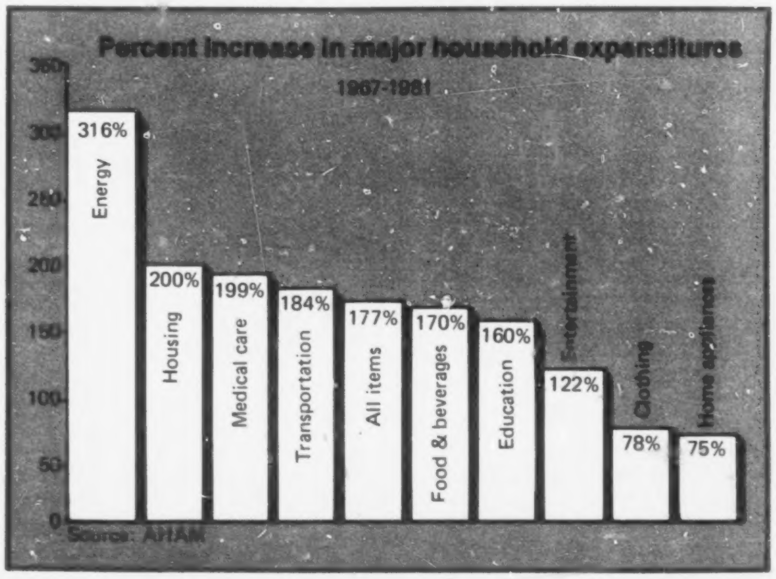
According to AHAM, appliances are an even better value when you consider the improvements manufacturers have made in energy efficiency. While the national average electric rate climbed 47 percent from 1972 to 1980, the average 1981 refrigerator is 58 percent more energy efficient than it was in 1972. Today's freezer is 52 percent more efficient; the average dishwasher is 45 percent more efficient; and the average clothes washer is 58 percent more efficient than in 1972.

Hours to earn figures are based on U.S. Department of Labor, Bureau of Labor Statistics data: Average hourly earnings of production workers in private industry in 1959 was $2.19, in 1980, $7.27. ■

### Hours to earn major appliances

| | 1959 Hours to earn | 1980 Hours to earn |
|---|---|---|
| Room air conditioners | 122.8 | [illegible] |
| Dehumidifiers | 47.0 | [illegible] |
| Dishwashers | 118.4 | 48.6 |
| Disposers | 36.5 | 13.2 |
| Food freezers | 150.2 | 59.6 |
| Electric ranges | 126.8 | 56.7 |
| Refrigerators | 153.4 | 82.3 |
| Automatic washers | 127.9 | 53.8 |
| Electric dryers | 98.2 | [illegible] |
| Gas dryers | 111.4 | 43.3 |

Source: Association of Home Appliance Manufacturers


Percent increase in major household expenditures
1967-1981

Source: AHAM

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March 1982

# MART

The Retailer's Magazine of Electronics/Appliance Profit Improvement

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HIGH GRADE VIDEO CASSETTE
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VIDEOCASSETTE Model L-500
500
FUJI
VIDEOCASSETTE
L-750
TDK
T-120
VIDEO CASSETTE
VHS
SONY
SONY
Dynamicron
L-830
VIDEO CASSETTE
FUJI
VIDEOCASSETTE
SUPER HG
T-100
Scotch
maxell
Epitaxial
120
MEMOREX
Scotch
Videocassette
Scotch
Highlander
AD-C90 TDK
FUJI
maxell

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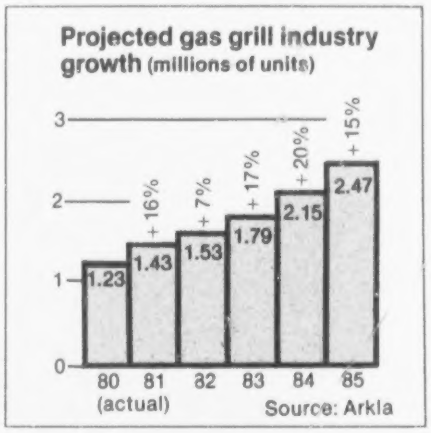

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**Cover photograph by Rick Barrick.**

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# CONSUMER ELECTRONICS

**MART**
MARCH 1982

## Will RCA price cut spark disc sales?

### RCA cuts player tag to $350 as VHD groups gets ready to roll and Discovision pulls out

As expected, RCA Consumer Electronics dropped the price on its video disc player last month—bringing the product down to the level many retailers had been selling it at anyway, $350. And Zenith quickly moved to match RCA's price cut for its own RCA-made CED player.

At the same time, dealers selling the non-compatible optical disc system were wondering what the takeover by Pioneer Electronics of all optical productions, coupled with N.A.P. Consumer Electronics' decision to buy its players from Pioneer would have on their sales.

And proponents of the VHD disc system were working out the final details for the planned launch of their players and software in June.

The RCA move, announced at the company's distributor meeting in Nashville in mid-February, was attributed to a rapid rise in consumer awareness of video discs; Jack Sauter, vice president and general manager, put that awareness level at 61 percent of the population, only 13 percent behind the video cassette recorder.

*[Continued on page 10]*

### Flat-screen pocket TV set sold in Japan by Sony

**A flat-screen pocket TV set with 2-inch screen went on sale in Japan last month by Sony Corp., with marketing in this country possible by the end of this year.**

**The black-and-white set, about the size of a pocket tape recorder, is being sold in Japan for the equivalent of about $240. The unit is only 1¼ inches thick, and includes a TV-sound switch so the user can listen to the audio portion of a broadcast without using up as much battery power (the set can operate on four AA batteries for 12 hours continuously using only the sound, or for 2.5 hours with both picture and sound on).**

**Also featured are electronic tuning, external-power jacks, and an earphone. A rechargeable battery is optional.**

## Volume up, margins down on audio tape

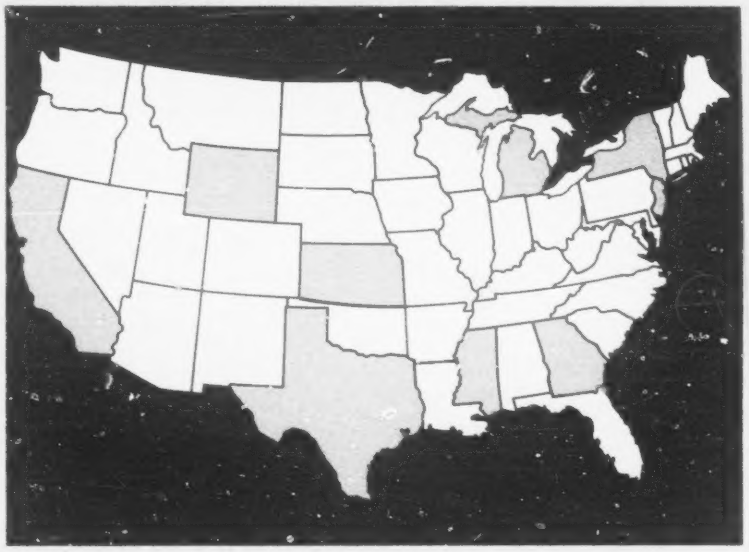
Blank video tape is no moneymaker, and guess what? Blank audio tape hasn't a sales margin to stand on either.

What moves audio dealers to sell blank tape is not so much its profitability as its marketability as a traffic-building drawing card. For a relatively minor investment, retailers can reach out to a price-conscious consumer by advertising the lowest tape prices in town, draw him or her into the store, and perhaps convert that shopper into a regular customer.

Audio dealers interested in making some money will often carry a line they can discount to shreds, but also carry a less widely distributed, more esoteric label such as Nakamichi or Akai. This second category is also more of a demand sale. Customers interested in purchasing a high-end branded tape, the retailers told MART, are often more sophisticated shoppers, have specific uses in mind, and are not above paying a premium for a manufacturer's name.

Unit-sales-wise, blank audio cassettes are moving extremely well, although said Bruce Cullom, president of Sound Towne, Texarkana, TX, "I've read in the trade press that audio is not doing so well. It's true that video is creating the excitement in the market—it's hard to

*[Continued on page 20]*



## Video dealers have profit woes too

For those retailers hoping for measurable margins on blank-video-tape sales, the message from the marketplace is: "Don't hold your breath!"

In the current buyer's market, a retailer has two choices: cut the price to within a point or less of what he or she paid for it and hope that the customer can be encouraged to spring for other, more-profitable items, or boost margins to 15 or 20 percent and sell appreciably less tape and perhaps forfeit some traffic.

"It's a whore's market out there pricewise," Doug Charles, general manager of The Video Store, Clifton, NJ, complained. "But business is phenomenal. The industry is wrong when it says people are only buying a couple of blank tapes for their machines: we're finding that people buy at least two to three cases of 10 or 12 over the course of a year. We move blank tape at a rate of one or two gross a week!

"But," he underlined, "we don't make money on it. Maybe we make a couple of dollars on it, but no more than 50 cents to $3 per tape."

*[Continued on page 22]*

## Video-hardware sales charge ahead despite recession

### Record industry sales are forecast for most video hardware categories as the consumer keeps on spending

The economy may be in the doldrums and sales of other consumer electronics products such as audio still sluggish, but video products—from traditional color TV to projection TV to video cassette recorders—are charging along in sales as if the consumer had never heard of the word "recession."

Each of those three product categories registered record industry sales last year, and each is expected to top that record by the end of 1982. And despite some questions about the disc player's place and/or strength in the video mix, sales of other video units appear to be going nowhere but up for the remainder of this year (for more on the outlook for video disc player sales, see related story on this page).

Video cassette recorders, for example, pegged as "the fastest growth product of the industry" by Panasonic President Ray Gates and others, reached 1.36 million units last year and are projected by most suppliers to hit the 2-million-unit mark by the end of this year.

Industry color-TV sales, which topped 11 million units for the first time in 1981, should nudge slightly above that point this year, perhaps reaching as high as 11.5 million units, according to a consensus of manufacturers. And projection TV is expected to grow by as much as 50 percent over last year's 121,650-unit volume.

How is this industry resisting the recession? "I don't think there's a business in the world that's totally recession-proof, not even the oil business," commented Joe Lagore, president of Sony Consumer Products. "But we are selling basically to an upscale consumer who is willing to buy in any kind of economic climate as long as we have products that provide consumers with new technological excitement and entertainment enjoyment.

"Of course, we would be looking for even faster growth if it weren't for the national economic climate," Lagore added. "But the present recession certainly hasn't scared off consumer electronics buyers."

Agreed Jack Sauter, vice president and general manager of RCA Consumer Electronics, "The consumer electronics business, and video products in particular, is clearly a major growth industry in the American economy, both near-term and for the future."

As for video products specifically, Sauter said, they should "move ahead quite dramatically in the second half of 1982 as the consumer benefits from gains in real purchasing power" generated by the planned tax cuts and other economic measures.

Until then, Sauter and others indicated, video sales may be somewhat soft, but possibly as early as May and certainly by July an acceleration at retail should be evident.

Video cassette recorders, which rose 69 percent in sales last year over 1980 industry totals, are now at nearly 4-percent saturation, and have overcome any consumer-education problems they might have had in the past, according to Dick O'Brion, executive vice president of U.S. JVC Corp.

"This past year could well become noted for the total acceptance of VCRs by

*[Continued on page 14]*

# Consumer Electronics

## Video-hardware sales charge ahead despite recession

[Continued from page 5]

the American consumer," O'Brion noted. "Questions no longer center on whether VCR technology is for real, but what options are available at what price."

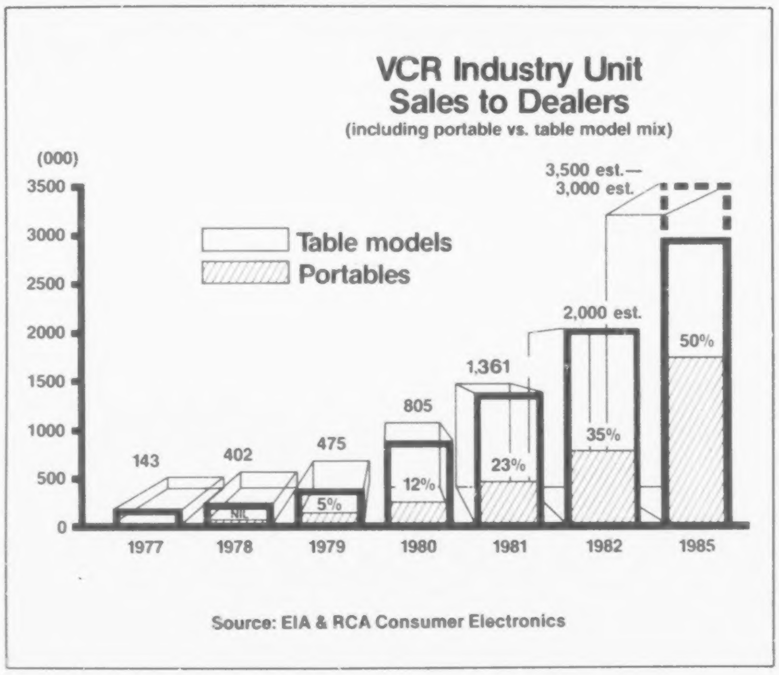
Seen as making especially strong gains this year are portable VCRs—projected by RCA's Sauter and others to double in unit sales in 1982—and video cameras, which could hit the half-million-unit mark this year.

VCR pricing, however, subject to sharp cuts at retail during 1981, is likely to be rocky again this year, at least for the next few months.

"The VCR business was destructive to margins in the last three months of 1981," Ken Thomson, vice president of sales for Magnavox, told MART. "I expect that a certain amount of inventory-balancing has to occur now during the first quarter, but the business should settle down in the second quarter and be reasonably stable in the second half.

"Pricing should stabilize then," Thomson continued. "But we're anticipating a 5-percent decrease in the average price of a VCR from what it was sold at in 1981, and most of that will come from the dealer's margin."

Another product that made great strides last year in consumer awareness is the projection TV set, pegged for strong growth over the next five years following the 50-percent gain anticipated for 1982 on top of the 112.9-percent increase achieved in 1981. Most suppliers agree, in fact, that last year's projection sales could have been even higher if high interest rates and tight credit availability had not hampered consumer purchasing.



VCR Industry Unit Sales to Dealers

(including portable vs. table model mix)

Source: EIA & RCA Consumer Electronics

"But the consumer has learned to live with high interest rates—we've already seen the worst-case situation in the last several months," commented Henry Kloss, president of Kloss Video. "In the beginning, 85 percent of projection sales were on credit—now the credit volume is almost zero."

Dealer carrying charges are so high that stocking high-ticket items such as projection sets is difficult today as well, Kloss acknowledged. But, he added, "Projection TV is very much an impulse item, so I hope dealers keep some inventory—they really shouldn't run their inventories down to nothing."

Agreed Super Yamaguchi, newly named chairman of Mitsubishi Electric Sales Co. of America, "We're at a point now where only four out of 20 sales a dealer takes to a finance company may be approved. But with saturation just passing the 1-percent mark, the product is gradually penetrating to the average consumer, and sales performance has been good."

And what about projection-TV pricing? "I don't see any drastic changes," Yamaguchi said. "The price per value will come down, but I think the $3,000 to $4,000 price range will stay."

Kloss, however, commented, "I think most sales will be closer to $2,000 than $3,000. We won't have a calculator-type price drop, but I think the bulk of the business will be down close to $2,000 in the next couple of years."

And if prices are coming down, so is the projection set's size, easing another drawback. Magnavox's Thomson told MART, "I think 1982 will be the breakout year for projection. New compact units coming this year, including one from us in late summer, will have a definite impact on the consumer. At that point he or she will see a good picture on a projection set with an acceptable size and profile. From that point on projection-TV sales could conceivably double every year."

As for color TV, the industry's bread-and-butter product, 1982 looks good as well, with impressive volume seen coming in remote-control models especially.

Even black-and-white TV, the one video category that slipped (by 11.8 percent) in sales last year from 1980, should remain in the 5- to 6-million-unit range for the year, with battery portables, especially combination models, seen by most TV manufacturers as particularly strong this year and for several years to come.

Bill Webber, general manager of General Electric's television operation, for example, commented, "I wouldn't be surprised if mini-combo models represent from 30 to 40 percent of the under-10-inch TV market by 1985, driven by the insatiable appetite we all have for more entertainment and information."

As for traditional color TV sets, Webber added, "I see no short-range decrease in retail sales despite color's high saturation. Actually, household saturation is meaningless now—we're talking about people saturation: how many sets per person in the family? I think the color TV industry will definitely continue to grow and have burgeoning sales for the next several years at least." ■

CATHY CICCOLELLA

## Newswatch

**Sales of digital audio players to consumers** should reach between $170 and $200 million by 1989, according to a recent study by Venture Development Corp. However, a format struggle could have an adverse effect on sales growth, the study warns . . .

A new entry in consumer electronics marketing is **DPM Enterprises,** founded by Phil Baird. The new firm is now offering a line of five rechargeable radio and cassette players with headphones, priced from $50 to $120, as well as portable radios; next fall it will have additional compact radios featuring a micro and standard cassette in one unit. DPM is also private-labelling the Crosley and Del Prado names to retailers across the country . . .

**Mura is aiming to be the leader in stereo-headset sales** by the end of this year, according to principals Mort David and George Hardy. In the last two years, the firm is said to have grown 300 percent, and it estimates its retail network will include about 20,000 stores by 1984. This year Mura is expanding its mini-headset line from four to 11 models . . .

**Paramount Home Video is now offering its distributors a 'market development fund,'** available to be used by dealers on a 50-50 sharing basis for retail ads, dealer fairs, brochures, and so forth . . .

From now on, MCA Videocassette will release all programs capable of stereo sound on **stereo video cassettes** . . .

**Sony Tape Sales Co. reported over 800 stores are participating** in its Rod Stewart's 'Le Grand Tour of America and Canada 1981/82' by offering its limited edition Rod Stewart poster to fans against the purchase of six Sony audio tapes of any length . . .

**Adcom has introduced the GFA-2 power amp** to its line of electronics. The new unit offers 100 watts per channel and will list for $360 . . .

## Clarion downsizes line, reports 25-percent gain

Clarion Corp. apparently believes the old adage that good things come in small packages: the firm has revamped its entire car stereo offering, and is now marketing a downsized line of mini and compact models.

"Our largest chassis is now under 5 inches deep," explained Fred Deutsch, Clarion's vice president of marketing and product planning. "This means our largest chassis is smaller than many of our competitors' 'mini' chassis. And we're not charging a price premium for the smallest units, like some other companies."

Deutsch said some of Clarion's prices have been reduced; other models continue at the same price levels but with additional features.

"During the last year this company successfully increased our sales 25 percent, expanded our dealer base, and restructured our retail prices," the Clarion vice president added. "We feel we're right on target for today." ■

### MART MONEY MAKER

**'To be successful in audio, a dealer has to be aggressive and keep his or her store name visible, through newspaper or radio advertising. Radio is popular now because it is not as costly as other media.**

**'Also, retailers should take advantage of what a manufacturer can offer. All too often, retailers don't take advantage of what's buried in a manufacturer's files, such as P.O.P. materials, contest ideas, and promotions. Every little bit helps in a crisis economy.'**

***—Bob Schindheim,***
***Marketing Services Manager,***
***ADC/BSR Group***

# MAJOR APPLIANCES

MART
MARCH 1982

## Modern Maid, Caloric sales still separate

**Manufacturing for the two brands has been consolidated, but marketing will not be merged**

Caloric and Modern Maid appliances will continue to be marketed as two separate and distinct brands, despite consolidation of manufacturing of the two lines at Caloric's Topton, PA, facility.

That's the word from Caloric President Ray Dowling and Marketing Vice President Ed Herrelko, who told MART in an exclusive interview that the two brands will retain their different identities and market niches once the Chattanooga, TN, Modern Maid operation is closed down this fall.

*[Continued on page 28]*

### Coming in April

The April issue of MART will present our third annual **consumer survey of microwave oven owners.** Nearly 3,000 microwave owners have been questioned about where they shopped, how many stores they shopped, what features they wanted, how often they use their microwave oven, and how many and what accessories they have purchased.

## Hotpoint offers program on 20 models

Retailers selling Hotpoint major appliances are being offered substantial promotional allowances on selected refrigerators, ranges, washers, dryers, dishwashers, and microwave ovens.

The 1982 merchandising program is built around 20 models from the Hotpoint line of 270 models. Individual dealers select 13 of the 20 units offered.

The "Value Dealer Program" allows the dealers to offer top-end featured products at middle-of-the-line prices. The units offered are "the volume movers with features consumers want," according to Hotpoint.

Mike McDavitt, manager of merchandising operations, said the bonus advertising and merchandising funds can be used to finance such promotions as instant cash rebates, no finance charge to consumers or 12.9 percent retail financing or less, free extended service contracts, and premium offers.

The "Value Dealer Program" also offers toll-free numbers for ordering parts and sales promotion materials and for scheduling service; a protection plan should Hotpoint change prices or make promotional allowances during the year; volume rebates; and inventory financing.

Approximately 2,000 Hotpoint dealers in 37 cities across the country heard about the program first-hand via a live, closed-circuit satellite video conference that originated at company headquarters in Louisville in January. ■

## Gas grill sales accelerate into mass market as saturation passes 10 percent point

The American family's love affair with barbecued food continues to expand the outdoor cooking-appliance market. More than 11 million outdoor grills—gas grills, electric grills, and charcoal grills—were sold in 1981.

For appliance retailers the gas grill has become a big-volume, big-ticket item. Sales are approaching 1.5 million units a year, and some manufacturers expect sales to pass 2 million units a year within two years.

At the same time, the average price paid for gas grills continues to rise. This year the gas grill industry will reach almost $300 million a year.

The market is broadening. Market saturation has passed the 10 percent point, historically the point at which sales of appliances can be expected to accelerate into the mass market. Market penetration could eventually reach 40 percent.

Sales are becoming somewhat less seasonal, as well. Although sales are still heaviest in April, May, June, and July, more retailers are reporting success with pre-season and post-season sales.

For the full report on the gas grill market, see page 33. ■

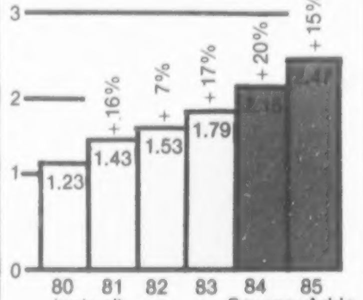
Most retail sales are made from April through July, but replacement sales will lengthen the season. This grill is from Arkla. **Write in 425.**

### Gas grill sales by fuel type

| | Percent Natural gas | Percent LP gas |
|---|---|---|
| 1971 | 89% | 11% |
| 1972 | 89 | 11 |
| 1973 | 64 | 36 |
| 1974 | 56 | 44 |
| 1975 | 56 | 44 |
| 1976 | 42 | 58 |
| 1977 | 37 | 63 |
| 1978 | 29 | 71 |
| 1979 | 22 | 78 |
| 1980 | 12 | 88 |

Source: Arkla

### Projected gas grill industry growth (millions of units)



Source: Arkla

### Barbecue grill industry sales

Source: Arkla

| | 1976 | 1977 | 1978 | 1979 | 1980 |
|---|---|---|---|---|---|
| Gas grills | 860,000 | 1,050,000 | 1,176,000 | 1,327,000 | 1,230,000 |
| Electric grills | 125,000 | 140,000 | 144,000 | 136,000 | 132,000 |
| Charcoal grills | 8,159,000 | 9,328,000 | 9,750,000 | 9,635,000 | 10,080,000 |
| Total | 9,144,000 | 10,518,000 | 11,070,000 | 11,098,000 | 11,572,000 |
| Gas grill percent of total | 9.4% | 10.0% | 10.6% | 11.9% | 10.6% |

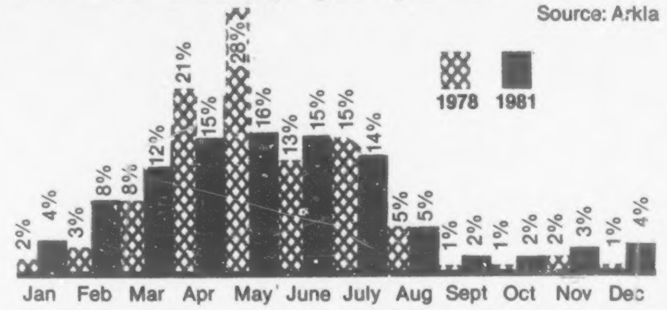
### Gas grill purchases by size 1977 to 1981

| | 1977 | 1978 | 1979 | 1980 | 1981 |
|---|---|---|---|---|---|
| Tabletop units | 1% | 1% | 1% | 1% | 2% |
| Small (less than 250 sq. in.) | 8 | 10 | 15 | 9 | 13 |
| Standard (251 to 325 sq. in.) | 30 | 43 | 42 | 39 | 39 |
| Large (326 to 500 sq. in.) | 59 | 41 | 40 | 42 | 40 |
| X-large (over 500 sq. in.) | 2 | 5 | 2 | 9 | 6 |
| | 100% | 100% | 100% | 100% | 100% |

Source: Arkla

# Gas grill sales continue to grow, dollar volumes approach $300 million

## Sales are nearing 2 million units a year, saturation could eventually reach 40 percent of all U.S. households



**Retail sales trends of gas grills by month**

Source: Arkla

Depending on who is doing the talking, industry experts expect sales of gas grills to: a) explode through the roof now that market saturation has passed 10 percent; b) level off because of the depressed economy and more careful consumer spending; or c) drop, as charcoal and electric grills capture a bigger share of the outdoor cooking business.

Sales of gas grills in 1981 reached more than 1.4 million units. At an average retail price approaching $200, the industry has reached almost $300 million a year in retail sales. These figures compare with 1981 sales of more than 10 million charcoal grills with a retail dollar volume less than $200 million.

According to Robert Senn, vice president marketing for the Structo division of King Seeley Thermos, gas grills are the single largest growth category for retailers in the cooking-appliance industry. Senn expects industry sales to reach 1.7 million units in 1982 and two million units in two years.

John Waring, vice president of sales and marketing, Neosho Products, a division of Sunbeam, estimates that gas grill market saturation now stands at 10 to 15 percent and that the market has the potential to eventually reach 40 percent of all U.S. households.

William Fox, president of Charmglow contends "Charcoal grill sales have leveled off, whereas gas grill sales are on the increase with a major rise anticipated for spring and summer, 1982."

Tom Ogan, merchandise manager of Arkla Industries, gas grill division, reports demographic studies indicate that in addition to the 30- to 50-year age group, sales to younger and older consumers are now growing rapidly, too. Today's gas grill customer can come from almost any sector of the economic scale, he said.

As the business grows, the sales season lengthens, too. Most sales (about 80 percent) are made in April, May, June, and July. But some retailers are finding that both pre-season and post-season sales can be a profitable business.

According to Robert Senn of Structo, gas grills are becoming more of a 12-month business. "Sometimes, almost by accident, a retailer discovers that he or she can get extra sales by extending the season. If a retailer has product left at the end of the season, he might run a special end-of-season sale in August. If the sale proves successful, he will feel some pressure to match his results the next year, and he may even expand his post-season sale. In some regions of the country, retailers are also successful with Thanksgiving promotions and pre-season sales," he said.

The growing number of replacement sales are cited as another factor in the lengthening of the sales season. Many replacement customers will wait for the special prices during pre-season and post-season sales.

Most manufacturers estimate the replacement market at about 10 percent. But according to John Waring of Neosho Products, if charcoal grills are added to the equation, 75 percent of the gas grill market is replacement sales. Most gas grill owners are charcoal graduates.

Dale Bard, director of marketing, Falcon Manufacturing, told MART that the more replacement sales made, the more customers will step up to full-featured, top-of-the-line gas grills. "There is a tremendous opportunity for the retailer with trained sales personel to step-up the second time buyer. With the economy the way it is, more and more consumers are staying at home rather than taking expensive vacations. And a top-end gas grill can add to any vacation-at-home," he said.

Many of today's replacement customers are trading in low-end gas grills that may have worn out after a season or two. These customers are pre-sold—they know what a gas grill can do and seem willing to step-up to larger, more fully-featured units, usually models with dual burners and automatic ignition. Manufacturers report that sales of compact units have picked up, too. In many cases these are portable gas grills used away from home as second units.

As market saturation increases and replacement customers become a larger factor in the business, the market is shifting upward. The average price paid per unit continues to rise. The key promotional area has shifted away from the $99 single-burner model, and now is the $149 dual-burner unit.

According to Robert Senn of Structo, the key price points in the gas grill market today are $179 and $199. He told MART that the average price paid at retail in 1981 was about $190.

Tom Ogan of Arkla agrees that the most important price points in the market are $179 and $199, up from $99 just a few years ago. Ogan believes that more than 80 percent of the market falls between $129 and $299.

John Waring of Neosho Products confirms the $99 promotional model as becoming much less common. The key retail price points today are $149, $169, and $189; $169 is the key price for units with automatic ignition, and $229 is a popular step-up price, Waring said.

There has also been a shift in where gas grills are sold. Ten years ago, when the product was first introduced, most gas grills (more than 80 percent) were sold through gas utility companies. About 20 percent of the market was sold through major appliance outlets and by private label department stores.

In 1981, only about 12 percent of all gas grills were sold by gas utilities. The bulk of gas grill sales are now made through private-label department stores, mass merchants, major appliance stores, and home-center stores.

The gas grill market has reached a saturation of more than 10 percent—historically a penetration point at which sales can be expected to accelerate into the so-called mass market. The market will continue to expand, but because of outside factors affecting both the economy and consumer spending, manufacturers have scaled down their 1982 growth predictions. Sales will be up, but by 10 percent or less, getting back on the fast track again in 1983. ■ **John Foster**
Senior Editor

### Gas grill sales by region

| | 1979 | 1980 | 1981 |
|---|---|---|---|
| Eastern | 43.0% | 40.0% | 44.5% |
| Southern | 20.0 | 18.5 | 21.0 |
| Midwest | 22.0 | 27.0 | 21.0 |
| Western | 15.0 | 14.5 | 13.5 |
| | 100.0% | 100.0% | 100.0% |

Source: Arkla

### Type of retail outlets selling gas grills 1970 vs. 1981

| 1970 | | 1981 | |
|---|---|---|---|
| Private brands | 8% | Private brands | 27% |
| Mass-merchants | 1 | Mass-merchants | 21 |
| Home centers | 0 | Home centers | 12 |
| Catalog showrooms | 0 | Catalog showrooms | 5 |
| Appliance & specialty stores | 9 | Appliance & specialty stores | 17 |
| Utilities (nat. & LP) | 82 | Utilities (nat. & LP) | 12 |
| Department stores | 0 | Department stores | 6 |

Source: Arkla

### Growth forecast for the electric grill market

**While the gas grill market represents a large and growing sales opportunity for retailers, in terms of unit volumes it is overshadowed by the charcoal grill. And in terms of long-range growth potential at least one manufacturer feels that the gas grill will take a back seat to the electric grill over the next few years.**

**According to Edward Mackin, president of Maverick Industries, electric grill sales reached 200,000 units in 1981, thus becoming a real growth category. Mackin told MART that the portable charcoal grill and the electric grill are the major growth areas in the outdoor cooking-appliance business. He predicts that by 1984 sales of electric grills will reach 600,000 to 700,000 units a year.**

**Maverick recently introduced a line of electric grills with high-tech styling priced from $89 to $299. The company plans to enter the gas grill market in August, according to Mackin.**

# RETAIL MANAGEMENT

**MART**
*MARCH 1982*

## Giant chains are the competition: Harvey Rose

**The head of Microwave Cooking Etc. feels independent dealers shouldn't be fighting each other**

"I want you to understand who I hate, and why. It's Sears I hate . . . it's Penney's, and it's Ward's. It is not the independent dealer down the street from me."

That's how Harvey Rose, head of the 80-store Microwave Cooking Etc. franchise group, views his competition for the microwave-oven sale. Why does Rose feel this animosity for his giant retail competitors? Speaking during a seminar for retailers at the recent Winter Consumer Electronics Show, he explained, "I hate them because those big sons of guns don't care about you and me. They just want to sell high-profit fashion merchandise, or, if it's a catalog store, high-profit jewelry, and they will sacrifice the product which you and I sell for a living."

Rose said he has developed a means of fighting the giants.

As an example: Sears several years ago started to sell touch-control microwave ovens at $399 when Rose was paying $415 for virtually the same model. This year, J.C. Penney "re-invented the wheel and is selling touch-control units for $299," Rose said.

"I have to react to this pricing," he declared. "To fight the 'big boys,' I have to get into the newspapers with a value at least as good as theirs, which means I have to offer ovens at pricing usually 12 cents over cost. But if I sell too many of those ovens I'm out of business. So I must do something else—I'm going to show that advertised product to the consumer and tell him or her how good it is, and I'm going to give a wonderful sales pitch for the product."

Once Rose gives the "wonderful sales pitch" on the promotional model, he leads the customer to the top-of-the-line model. Referring to the promotional

*[Continued on page 43]*

## Housewares buyers now fe[illegible] optimistic

"We must start to think upbeat," feels Kenneth Mann of Macy's in San Francisco. "Everybody is tired of pessimism. I heard a lot of optimism around the Housewares Show."

Mann's thinking was reflected by many electric housewares buyers and merchandisers attending the recent National Housewares Manufacturers' Assn. exposition. Some, however, asked, "Aren't we whistling in the dark?"

Housewares buyers generally said they ended 1981 with "low" inventories as a result of last-minute Christmas business. Most were at the show looking for innovative products, "deals," and close-outs to help create store traffic and to aid them in their 1982 profit pictures.

For the most part, these buyers told MART, they were disappointed. What they did find in small appliances were more rebates.

Irv Feuerstadt, merchandise manager

*[Continued on page 45]*

## NARDA's Retail Index shows six products gained

**But 13 other product categories showed declines in margins during 1981, NARDA says**

Sales increases in six product categories with declines in 13 others was the reading for independent retailers last year, according to final 1981 figures from the computerized NARDA Retail Index.

Consumer electronics products set the pace with sales improvements in four out of eight products, with only two major appliances (of 11) showing gains, reversing the year-ago pattern when four appliances and only one brown goods item, video cassette recorders, reported gains.

Leading the "hit parade" again, not surprisingly, were video recorders, with a 56 percent sales increase for the year, according to the NRI data.

Two appliances followed—microwave ovens with a 10 percent rise and air conditioners, up 6 percent. The top three items had also set the pace in 1980. Showing slight, 1 percent gains each were color TV portables, console TV sets, and tape recorders, all of which had been off slightly the previous year.

On the downside in 1981 were refrigerators and gas ranges, each down 2 percent; washers and radios, each down 4 percent; electric ranges and vacuum cleaners, each down 5 percent; dryers and freezers, each down 6 percent; dishwashers and audio components, each down 7 percent; black-and-white TV portables, down 12 percent; disposers, down 13 percent; and stereo consoles, down 19 percent.

Video recorders, color consoles and portables, microwave ovens, gas ranges, and vacuum cleaners closed the year on the upbeat, with gains in December over the same year-ago month.

Based on December data, six products showed improvement in gross margins. Included were audio components, whose 32.6 percent reading (up from 30.6 percent a year earlier) continued to rank at the top; and video recorders, whose 18.0 percent gross margin, although improved from 16.7 percent, still ranked only 18th among the 19 appliance/electronics categories.

Other gross margins, with those showing improvement being noted: stereo consoles, 28.4 percent; tape recorders, 27.8 percent; disposers, 26.4 percent (up); gas ranges, 26.1 percent; radios, 26.0 percent, electric ranges, 25.8 percent (up); dryers, 25.7 percent (up); washers, 24.4 percent; dishwashers, 23.6 percent; and freezers, 23.5 percent.

Also, color TV portables, 23.0 percent (up); refrigerators, 23.0 percent; vacuum cleaners, 22.3 percent; color TV consoles, 22.2 percent; black-and-white TV portables, 22.1 percent (up); microwave ovens, 22.1 percent; and air conditioners, 17.9 percent. ■ JACK BLOOD

### Six products improve in gross margins

| | |
|---|---|
| Audio components | 32.6% |
| Video recorders | 18.0 |
| Electric ranges | 25.8 |
| Dryers | 25.7 |
| Color TV portables | 23.0 |
| Black & white TV portables | 22.1 |

Source: NARDA

## How the spring catalogs are selling major appliances

**Sears, Montgomery Ward, and Penney all show higher prices in their new spring/summer books**

A model-comparison chart in each product category has made shopping for major appliances easier in the newly issued spring/summer catalog of Sears, Roebuck and Co.

But higher pricing is evident on virtually all appliance models, not only in Sears' summer catalogs, but also those from Montgomery Ward and J.C. Penney.

Product highlights in the Sears catalog include new room air-conditioners with solid-state controls, a feature introduced earlier in its refrigerator, laundry, dishwasher, and range lines, most of which are now higher-priced.

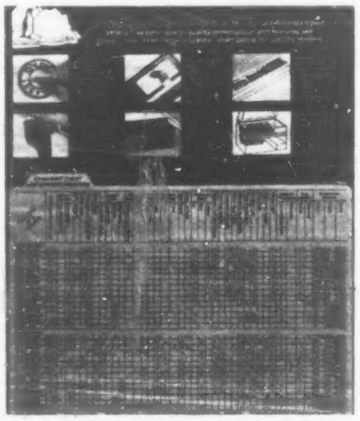
The 25.7-cu.-ft. side-by-side refrigerator with solid-state monitor, introduced in the summer book at $1449.95, is now $200 higher; the touch-control washer, now listing at $599.95, is $40 higher, as are the companion gas and electric dryers; the undercounter dishwasher is also $40 more, at $529.95; the portable dishwasher is up $50, at $569.95; and the solid-state touch-control gas range is $50 more, at $749.95.

In refrigerators, where the Sears comparison charts list no fewer than 36 models, prices are $100 to $110 higher on the five carryover models in the 17-cu.-ft. top-mount area, the most heavily represented sector. These now list from $699.95 to $799.95, including at the latter price a "high efficiency" 17.1-cu.-ft. unit "that could cost $220 less to operate over 10 years than our standard model of comparable size," as a Sears energy blurb puts it. A sixth top-mount in that category, a 17-cu.-ft. model with textured steel doors, is new at $569.95.

Also new from Sears is a 5.7-cu.-ft. side-by-side compact refrigerator, listing at $469.95.

"Kenmore freezers are America's best-selling freezers," says the heading over Sears' comparison chart listing of 15 chest freezers (from 5.1 to 27 cu. ft.) and 14 upright models (6 to 31.1 cu. ft.), with pricing up $20 to $50. A new model is a space-saving 28-inch wide, 15.1-cu.ft. upright at $419.95.

Higher pricing is evident on the 33-model air conditioner line—up from $15 on the 4,000 Btu leader (now $179.95) to $90 on the largest-capacity 29,000 Btu model ($819.95).



Sears offered a chart so consumers could compare freezer models.

*[Continued on page 36]*

## New products, services available from NARDA

**Expanding sales to related products and services boosts profit margins for many NARDA retailers**

A number of new products and services are available that the retailer should consider, if he is not already involved with them, according to speakers at the recent National Assn. of Retail Dealers of America convention in Las Vegas.

Among these emerging categories are furniture, kitchen cabinets, and personal computers. Mail-order rental of video movies and sales of service contracts were also cited as areas with growth potential.

Several dealers who have taken on

*[Continued on page 44]*

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April 1982

# MART

The Retailer's Magazine of Electronics/Appliance Profit Improvement

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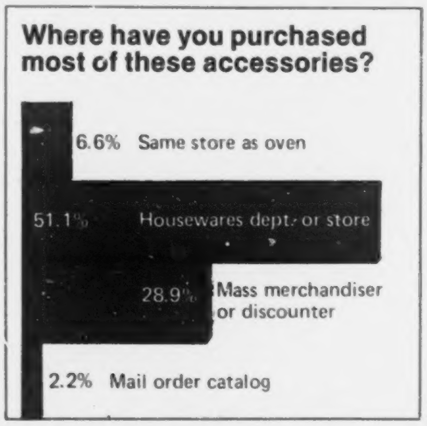

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# MAJOR APPLIANCES

MART
APRIL 1982

# Schafer says recovery could be slow

**White-Westinghouse president sees trend to smaller appliances, but Japanese inroads 'unlikely'**

The current recession is turning out to be both longer and more severe than almost anyone would have predicted. And the effect on the appliance industry has been dramatic.

Except for microwave ovens (up about 20 percent) and room air conditioners (up 15 percent) factory shipments for all appliance categories declined in 1981. And shipments in early 1982 have been even worse—all categories are down significantly.

Hal Schafer, president of White-Westinghouse Appliance Co., foresees business might not rebound right away. "Our national economic problems are much deeper than was at first thought. I expect a slower recovery than most people are predicting," he said.

Schafer explained there are three vital industries in the economy that are currently severely depressed and are negatively affecting the economy as a whole: steel, automobiles, and housing. Until these industries start working again, he said, the economy as a whole will remain depressed.

White-Westinghouse's Hal Schafer says appliance rentals will increase.

"Housing starts fell to 1.086 million units in 1981. The Home Builders Assn. is predicting 1.075 starts in 1982. In 1983 they're predicting a 40-percent increase in starts to 1.515 million units, and 1.8 million in 1984. But something dramatic will have to happen to reach those figures. Interest rates will have to change dramatically. And I just don't think the recovery will happen that quickly."

Schafer told MART that new housing creates a kind of consumer chain. The new home purchaser sells his and/or her old home. Someone purchases the old home and in turn has to sell their home. "One new house sale ends up creating an average of five moves."

The housing market is important to the appliance industry, Schafer emphasized, but it is not the dominant market factor. If each of the one million new homes built in the last year included an average of four new major appliances, the home-building market would have accounted for about 4 million units of the total of over 30 million major appliances.

*[Continued on page 34]*

CONSUMER SURVEY

## Appliance stores still the leader in microwaves

According to MART's third annual microwave oven consumer survey, appliance stores continue to be the leading outlet for sales of microwave ovens.

But over the last two years, the percentage of consumers who say they bought their microwave oven in an appliance store has declined from 56 percent to about 46 percent.

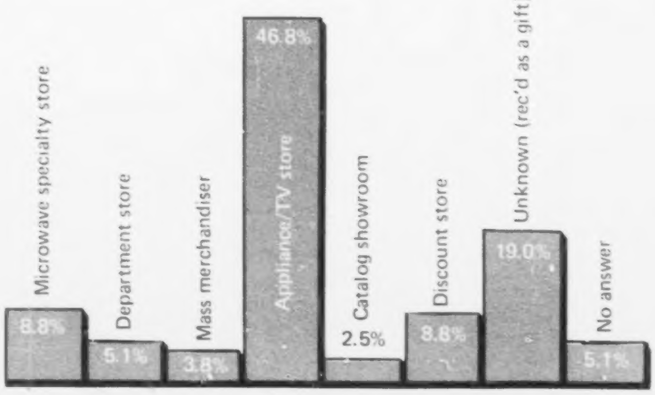
Today's microwave-oven purchaser is a better shopper than in years past. The average shopper today visits more stores, and generally spends less than in previous years.

Also, on the average, microwave-oven customers are somewhat younger and less affluent than in previous years.

While almost 60 percent of the respondents to the survey indicated they had bought microwave accessories of one type or another since the purchase of their oven, even more say they plan to purchase additional accessories in the future.

Market saturation of microwave ovens is climbing toward 25 percent. Consumers purchased more than four million units in 1981, and manufacturers expect at least a 10-percent increase in sales this year.

Nearly 1,000 recent purchasers of microwave ovens responded to MART's third annual consumer survey. For the complete report on how, where, and why they bought their ovens see page 43.


Where did you buy your microwave oven?

# The billion-dollar floor-care industry

## Hoover's Hatfield: 'Sell the high-end by promoting the low-end'

Customers buying replacements for vacuum cleaners sold in the industry's best year ever—1973—could give a shot in the arm to vac sales this year and next, despite the economy, according to officials of the Hoover Co.

"About nine million vacs were sold in 1973," Gene Hatfield, Hoover vice president of marketing, explained. "And if you assume that the life of a vacuum cleaner is about nine or 10 years, those nine million models are just about ready to be replaced, and that would definitely help sales this year."

The floor-care industry has been less affected by the recession than other appliance or electric housewares categories, the Hoover officials believe. Last year, according to Senior Vice President Bob Elsaesser, the total industry volume was more than $1 billion; this year, he expects total vacuum sales to be about the same.

"So far this year we've been getting reports from our dealers of good retail sales," he told MART, "although dealers are not stocking as much—they seem to be buying fewer models, but more often."

*[Continued on page 40]*

## Eureka's McDavitt: 'The key to success in floor care is building traffic'

These are hard times in appliance retailing. The American public just is not in the mood to spend money. Sales of big-ticket white goods are down significantly. Declining consumer confidence has stalled sales of traffic appliances as well.

According to Harry McDavitt, vice president marketing/advertising, The Eureka Co., floor-care sales will remain depressed until the overall economy turns around and interest rates fall.

"Merchants are saying that sales will pick up as soon as the weather turns," McDavitt told MART, "But I don't think so. The economy has to get better first."

That is not to say that all floor-care dealers are doing poorly. On the contrary, according to McDavitt. In a time of a faltering economy, an aggressive retailer will maintain sales and increase market share. And the key to maintaining sales, he said, is building store traffic.

"Until the economy turns around, the floor-care retailer has to be even more aggressive than usual. The guy who hangs back now, won't make it. The successful merchants are building traffic—they're creating steam—they're staging big events.

"Big events are the key to building store traffic," McDavitt said. "But the promotion has to be a genuine sales event. Today's consumer won't be fooled with bluff events. An effective big event builds traffic and creates peak sales activity."

And what does it take to draw traffic?

*[Continued on page 38]*

Hand-held vacs like this Sanyo unit are gaining. Write in 307.

### Specialty vacs outpace the floor-care industry

**Most industry estimates put specialty vac sales at about 12 to 15 percent of the total floor-care market. And by all accounts, specialty vacs are the fastest growing segment of the floor-care industry.**

**Hand-held portable vacuum cleaners and extraction-type steam cleaners have been singled out as the strongest areas in the business. The full report on specialty vacs appears on page 37.**

# Appliance/TV store still m/w sales leader

In 1981 the microwave oven was a lone bright spot in an otherwise dismal year for appliance sales. Manufacturers' factory shipments increased nearly 20 percent to 4.3 million units last year, and most suppliers are confident that shipments of microwave ovens will climb an additional 10 percent, to 4.75 million units, by the end of this year, despite the economy.

To put these figures into somewhat better perspective, the combined total shipments of all built-in and free-standing gas and electric ranges in 1981 was less than 4 million units. Microwave ovens trail only refrigerators and automatic washers in the appliance industry in unit sales.

More than 20 million homes now own a microwave oven; market saturation is fast approaching 25 percent, or one home in four. And as the market expands, the consumer base broadens.

Who are today's microwave consumers? Where do they shop? Where do they buy? How much do they spend? How did they get interested in microwave cooking? What factors influenced their choice of brand? What do they like about their microwave oven? What do they dislike? How often do they use their microwave oven, and what do they use it for? How many accessories have they bought for use with their microwave oven? Do they plan to buy more accessories? Where do they buy accessories?

The charts and tables presented in this article are based on the results of an extensive consumer survey conducted by MART earlier this year. MART sent three-page questionnaires to nearly 3,000 known recent purchasers of microwave ovens.

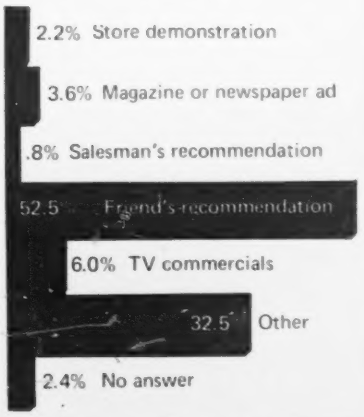
Since this is the third annual microwave-oven consumer survey, (see MART March, 1980, and March, 1981), and the questionnaires are similar, it is possible to both draw a picture of today's market, and at the same time, compare today's market with the results of previous surveys.

The survey shows that the appliance/TV store remains far-and-away the leading outlet for microwave oven sales. Nearly half (46 percent) of the survey respondents indicated that they bought their microwave oven in an appliance/TV store, and an additional 8.8 percent made their purchase in a microwave specialty store.

These proportions are remarkably similar to the results from a year ago. But two years ago, 56.5 percent of the survey respondents indicated that they bought their microwave oven in an appliance/TV store, and 8.7 percent at a microwave specialty store. This would seem to indicate that appliance/TV stores have lost some market share.

*[Continued on page 33]*

### How did you first get interested in microwave cooking?



### How many times did you visit this particular store before buying the microwave oven?

| | |
|---|---|
| 0 | 26.6% |
| 1 | 22.8 |
| 2 | 22.8 |
| 3 | 7.6 |
| 4 | 2.5 |
| 5 | 1.3 |
| 6 | 1.3 |
| 7 or more | 3.8 |
| No answer | 11.4 |

### How many other stores did you shop in before buying the microwave oven?

| | |
|---|---|
| 0 | 32.9% |
| 1 | 2.5 |
| 2 | 22.8 |
| 3 | 12.7 |
| 4 | 10.1 |
| 5 | 5.1 |
| 6 or more | 3.8 |
| No answer | 10.1 |

### Did the store where you bought your microwave oven offer a cooking school?

| | |
|---|---|
| Yes | 35.9% |
| No | 58.6 |
| No answer | 5.5 |

### Did you attend the cooking school?

| | |
|---|---|
| Yes | 51.0% |
| No | 47.0 |
| No answer | 2.0 |

### Rank your most common uses of the microwave.*

| | |
|---|---|
| Reheating leftovers | 1.24(mean*) |
| Cooking vegetables | 1.63 |
| Heating beverages | 1.74 |
| Defrosting | 2.02 |
| Cooking main meals | 1.75 |
| Heating convenience foods | 1.86 |
| Preparing ingredients for cooking | 2.36 |
| Baking | 3.02 |

### Rank what you like best about your microwave.*

| | |
|---|---|
| Speed of cooking | 1.33(mean*) |
| Energy savings | 2.46 |
| Faster defrosting | 3.13 |
| Easier clean up | 3.13 |
| Cooler in kitchen | 3.97 |
| Fewer pots and pans to wash | 4.09 |

### Which describes your reaction to the salesperson?

| | |
|---|---|
| Knowledgeable about product | 32.9% |
| Pushing one brand over another | 2.5 |
| Helpful and friendly | 29.5 |
| Used "hard sell" | 2.0 |
| Not knowledgeable about product | 2.5 |
| Willing to negotiate price | 2.1 |
| No salesperson available | 15.6 |
| No answer | 12.8 |

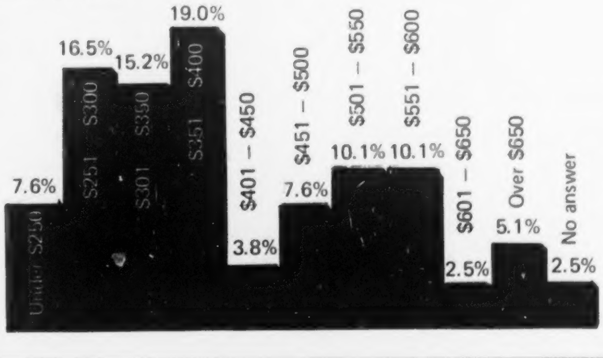
### Did the salesperson demonstrate the oven for you at the time of purhase?

| | |
|---|---|
| Yes | 38.4% |
| No | 55.7 |
| No answer | 13.9 |

### Rank what factors influenced your brand selection when you purchased your microwave oven.*

| | |
|---|---|
| Manufacturer's reputation | 1.51(mean*) |
| Price | 1.55 |
| Size or oven capacity | 1.67 |
| Ease of operation | 1.70 |
| Exclusive features | 2.22 |
| Appearance or styling | 2.24 |
| Friend's recommendation | 2.41 |
| Salesperson's recommendation | 2.72 |
| Free accessories | 3.19 |

### Approximately how much did you pay for your microwave oven?



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*Mean ranking: The lower the number, the higher the ranking.

*[Continued from page 43]*

Other types of retail outlets have generally maintained about the same market share. Department stores were down slightly, to 5.1 percent of total sales; mass merchandisers were up slightly, to 4 percent of sales.

Today's microwave-oven customers are shopping more carefully than the customers of past surveys. More than 60 percent of this year's survey respondents indicated that they had visited the store where they eventually made their purchase more than once. Almost 40 percent visited the store more than two times prior to their purchase.

An even stronger indication of the intense level of shopping is that nearly 55 percent of the survey respondents reported that they had shopped in at least two other stores before they bought their microwave oven. Significantly more respondents shopped in three or more stores before buying their microwave than in previous surveys.

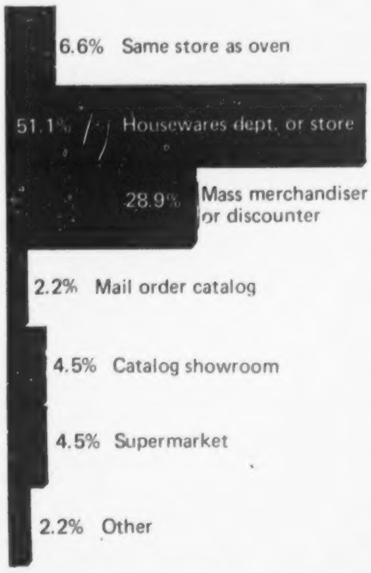
Another dramatic indication that consumers are shopping harder than in the past is the price they paid for their microwave ovens. Manufacturers have warned that as the market broadens, the majority of sales will be in well-featured, mid-line models.

As the market has entered into the so-called mass market, the manufacturers' predictions seem to be slightly off. High-end sales have remained strong, but the increased sales activity has been in lower price points, not the mid-line.

In MART's recent survey, almost three out of five (57 percent) of the respondents reported paying $400 or less for their microwave oven; almost one in four (24.1 percent) paid $300 or less. In the 1980 survey, about 44 percent of the respondents paid under $400 for their microwave.

*[Continued on page 48]*

### Where have you purchased most of these accessories?



### Considering your knowledge of microwave cooking at this time, would you buy a microwave oven again?

| | |
|---|---|
| Yes | 91.1% |
| No | 5.1 |
| No answer | 3.8 |

### Would you buy the same brand of microwave oven again?

| | |
|---|---|
| Yes | 85.0% |
| No | 7.9 |
| No answer | 7.1 |

### What percent of your weekly cooking do you do on the microwave oven?

| | |
|---|---|
| Less than 10% | 11.3% |
| 10% - 30% | 34.2 |
| 31% - 60% | 27.8 |
| 61% - 80% | 15.2 |
| More than 80% | 8.9 |
| Use only microwave cooking | 2.5 |
| No answer | — |

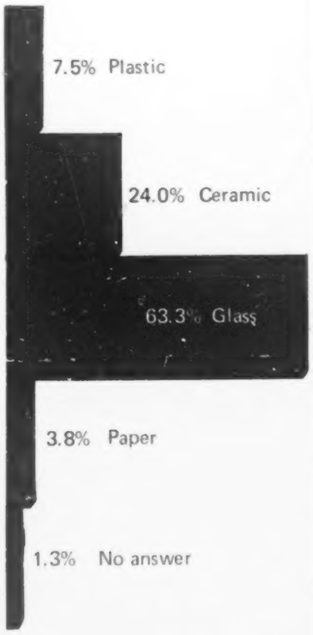
### Have you found any disadvantages to microwave cooking?

| | |
|---|---|
| Yes | 74.3% |
| No | 18.1 |
| No answer | 7.7 |

### Disadvantages found to microwave cooking:

| | |
|---|---|
| Can't cook some foods well | 45.8% |
| Can't use metal cookware | 38.5 |
| Large quantities take too long | 25.0 |
| Appearance of food | 25.5 |
| Adapting conventional recipes hard | 24.3 |
| Overcooking of food | 22.7 |
| Too much stirring/turning necessary | 11.7 |
| Controls too complicated | 3.2 |
| Other | 10.0 |
| No answer | 15.7 |

### Do you prefer to use cookware made of:



### Did you buy any accessories at the time of your oven purchase?

| | |
|---|---|
| Yes | 34.2% |
| No | 64.6 |
| No answer | 1.2 |

### Approximately how much did you spend for your accessories?

| | |
|---|---|
| Under $20 | 33.1% |
| $20 - 40 | 50.0 |
| $41 - 60 | 5.2 |
| $61 - 80 | 3.4 |
| $81 - 100 | .6 |
| Over $100 | — |
| No answer | 4.6 |

### What accessories did you buy?

| | |
|---|---|
| Cookbook | 33.1% |
| Cookware | 63.0 |
| Utensils | 4.0 |
| Other | — |
| No answer | — |

### Have you bought additional accessories since your oven purchase?

| | |
|---|---|
| Yes | 56.9% |
| No | 40.0 |
| No answer | 3.1 |

### Approximately how much did you spend for your additional accessories:

| | |
|---|---|
| Under $20 | 53.3% |
| $21 - 40 | 26.7 |
| $41 - 60 | 13.3 |
| $61 - 80 | 2.2 |
| $81 - 100 | 2.2 |
| Over $100 | 2.2 |
| No answer | — |

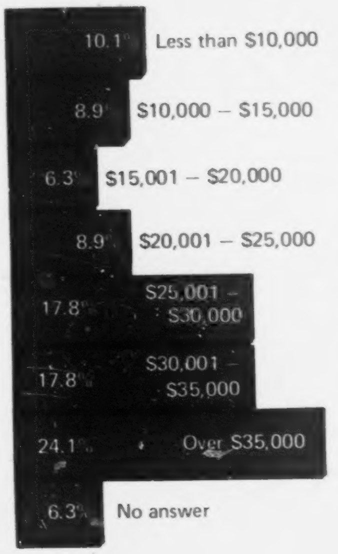
### Do you plan to buy any additional microwave accessories?

| | |
|---|---|
| Yes | 69.6% |
| No | 26.5 |
| No answer | 3.9 |

### If so, will you most likely buy:

| | |
|---|---|
| Cookware | 89.1% |
| Cookbook | 3.6 |
| Other | 5.4 |
| No answer | 3.6 |

**Total household income**



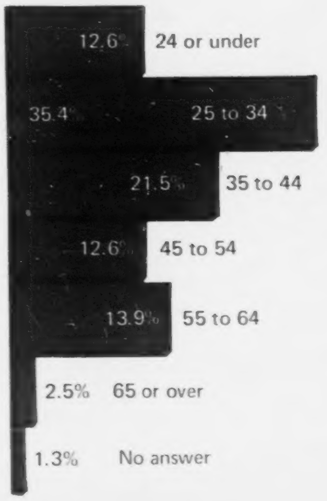
**What is the highest grade or year of school you have completed?**

| | |
|---|---|
| 8th grade or less | 3.8% |
| Some high school | - |
| High school graduate | 44.3 |
| Some college | 24.1 |
| College graduate | 15.2 |
| Post-graduate work | 11.4 |
| No answer | 1.3 |

**How many persons live in your household?**

| | |
|---|---|
| One | 2.5% |
| Two | 29.1 |
| Three | 30.4 |
| Four | 21.5 |
| Five | 7.6 |
| Six | 7.6 |
| Seven | — |
| Eight | — |
| No answer | 1.3 |

**Into which age category do you fall?**



*[Continued from page 44]*

But on a more positive note, at the other end of the market top-of-the-line sales are more than holding on. In MART's 1982 survey, 27.8 percent of the respondents reported paying $500 or more for their microwave oven. In 1980, about 26 percent of all sales were for $500 or more.

So if the top-end is growing slightly, and the market for lower price points is growing significantly, where are sales dropping off?

Somewhat surprisingly, in our current survey 11 percent of the respondents reported that they paid between $400 and $500 for their microwave oven. In 1980, 27 percent of the consumers reported paying between $400 and $500, and a year ago, in 1981, 26 percent were in the $400-to-$500 price range.

If, as manufacturers say, consumers are moving to mid-line models, the mid-line of the microwave-oven market has shifted to lower price points than in previous years.

As the market expands, and more and more consumers see microwave ovens in use in friends' homes, word-of-mouth advertising remains the single largest influencing factor in how consumers first get interested in microwave cooking. More than half (52.5 percent) of the survey respondents said they first got interested in microwave cooking at the recommendation of a friend.

Significantly fewer respondents to the most recent survey said they first became interested in microwave cooking in response to either television commercials (6 percent) or magazine or newspaper ads (3.6 percent). In previous years, nearly 20 percent of the respondents reported that they initially became interested in microwave cooking because of some form of advertising.

It's no wonder that word-of-mouth advertising is so effective: more than nine out of 10 consumers who own a microwave oven would purchase another one if they had the decision to make over again.

But when it comes to choosing a particular brand of microwave oven, a friend's recommendation is not nearly so important. The most important factor in choosing a microwave-oven brand was the manufacturer's reputation, followed very closely by price. The size or oven capacity was also an important consideration in choosing a brand, as was ease of operation.

A year ago, ease of operation was cited as the most important factor influencing brand selection, and price was not nearly as large a factor.

But as a sign of their general satisfaction with the product, 85 percent of the survey respondents said they would not hesitate to buy the same brand of microwave oven again.

By far the most important advantage of microwave cooking cited by the survey respondents was speed of cooking; energy savings was another important factor.

The most common use for the microwave oven among survey respondents is reheating food. Other common uses are cooking vegetables and heating beverages and convenience foods. Reheating leftovers has been the most common microwave oven use in all three of MART's annual surveys.

A great many consumers use their microwave oven for a considerable amount of their total cooking. More than 55 percent of the survey respondents said they use their microwave oven for 30 percent or more of their total cooking, and more than 25 percent said they do 60 percent or more of their total cooking in the microwave.

Nearly three out of four survey respondents (74.3 percent), however, said they have found some disadvantages to microwave cooking as well. The most frequent complaint is that the microwave oven does not cook some foods well; also, large quantities of food take too long to cook. And many consumers (25.5. percent) noted that they have difficulty adapting conventional recipes to microwave cooking.

Only 38.4 percent of the survey respondents said the salesperson, where they made the purchase, demonstrated the microwave oven for them, and only 35.9 percent said the store where they bought their microwave oven offered a cooking school. Of those consumers who were offered a cooking school, slightly more than half (51.0 percent) attended.

Microwave-oven manufacturers, cookware manufacturers, and aggressive retailers claim the typical microwave-oven owner will purchase a number of microwave accessories, both at the time of the oven purchase and over the next couple of years.

More than one in three respondents (34.3 percent) to the most recent MART survey reported that they purchased accessories at the time of their microwave oven purchase. Most spent $40 or less, and they purchased primarily cookware (63 percent) and cookbooks (33.1 percent).

More than half the respondents (56.9 percent) have bought additional accessories since the purchase of their oven. More than half of these respondents have spent less than $20, but 20 percent have spent more than $40.

Most microwave accessories are purchased in a department store (51.1 percent) or from a mass merchandiser (28.9 percent). Only 6.6 percent of the survey respondents said they purchased additional cookware or accessories at the same store where they purchased their microwave oven.

An overwhelming majority (69.6 percent) of the survey respondents plan to buy additional accessories in the future. Most (89.1 percent) say they will purchase additional cookware; a few plan to buy cookbooks and utensils.

Consumers have definite preferences about their microwave cookware. Nearly two out of three (63.3 percent) prefer glass cookware, 24 percent say they prefer ceramic cookware, and 7.5 percent prefer plastic cookware.

Demographically, the market mix is shifting a little, as would be expected as the market broadens. Respondents to this year's MART survey were somewhat younger than in previous years: nearly half (48 percent) were under 35 years of age. Fewer were college graduates, and although 24 percent of the respondents had family incomes of more than $35,000, 19 percent had incomes of less than $15,000, an increase over the previous years. ■

**John Foster**
**Senior Editor**

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July 1982

# MART

The Retailer's Magazine of Electronics/Appliance Profit Improvement

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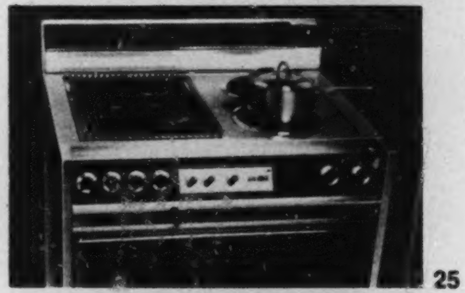

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**Cover photograph shot on location at Zayre's, Framingham, MA. See story on page 23. Photograph by Paul Rocheleau.**

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# CONSUMER ELECTRONICS

MART
JULY 1982

## Manufacturers boost promos for autosound

Look for more manufacturer-sponsored sales contests and promotions aimed at dealer salespeople as the car-stereo market matures and competition for market share quickens.

Car audio and blank audio tape were two areas of expansion many audio-hardware producers entered as sales in the home-audio category fell off. Now, with car-fi sales reaching a recession-induced peak, the category that once seemed so lucrative is suffering from its own sales setbacks. To remain factors or maintain/regain market share, most suppliers are launching aggressive promotions and national sales tours designed to stimulate enthusiasm at the floor-sales-staff level.

In an overview of the autosound market, Larry Kraines, president of Kraco Enterprises, noted that, despite a slow start earlier in the year, total 1982 sales growth should reach at least 15 percent over 1981.

"Industry sales were somewhat flat in the first quarter," he said, "due partially, I suspect, to the unusually severe winter weather that afflicted the country. However, the fact that people are keeping their cars longer these days is having a tremendous impact on our business. People are showing a greater desire to step up in car stereo. They are looking for such features as Dolby, auto-reverse, and high power, and moving up

*[Continued on page 58]*

## Games, cartridges hottest items at CES

What's the best way to single out the hottest category at a Consumer Electronics Show? Number of major entrants into the field? Volume of traffic clogging the exhibit areas? Amount of talk by retailers about the products in the aisles of McCormick Place?

By any of these criteria, video games and game software emerged as the stars of last month's summer CES. Several new hardware systems were unveiled at the show, while a number of Hollywood film studios announced their entry into the game-software field, and several key firms already in the business showed expansions of their existing lines into other game formats.

And, judging by the amount of show-goers cramming into the game booths—one company, Coleco, resorted to security guards to regulate traffic through its exhibit—game hardware and software were what retailers at the show had come to see. Although predictions of a software shakeout abounded as the number of cartridge entries mushroomed, most indications were that for at least the next six months video games will be serious business.

How big is the total video-game market?

*[Continued on page 55]*

As usual, video games were a big draw at CES.

## Programs, not power, spotlighted by audio suppliers at the CES

**With the economy dampening sales, audio firms are offering more to help their dealers move goods**

Are the audio power wars over? Could be, for the moment.

Although retailers may still be talking about wow and flutter, sonic booms, and inaudible "improved specifications," executives at the manufacturing end seem to have changed their tune. From cartridges and headphones to deluxe component systems and digital audio-disc players, the suppliers MART visited at last month's Consumer Electronics Show were emphasizing their products' perceptible consumer benefits — benefits providing audible differences, vs. inaudible spec-sheet calculations.

In addition, companies that once targeted a single category in audio as their market niche, such as headphones, portables, components, or accessories, are diversifying their lines in an effort to provide selective dealers with additional branded products from which to choose.

Empire Scientific, once primarily a phono-cartridge maker, has added equalizers and headphones to its line-up, amid intimations of plans to add telecommunications products in the future.

Andrew Segal, Empire's vice president of sales, told MART he sees his company heading into areas in which Empire can offer consumers demonstrable benefits: "Too much of a cartridge's innovations are microscopic or invisible to a customer, so we're using gold in our cartridges — something the customer can see. That's why we're moving rapidly into products such as headphones and equalizers that have technical benefits that are easily understood by the consumer. People buy

*[Continued on page 52]*

**AUDIO COMPACT & COMPONENT SYSTEMS**

**Total Factory Sales**

| | Units | Dollars (millions) |
|---|---|---|
| 1979 | 3,811,000 | 614,000,000 |
| 1980 | 3,241,000 | 703,000,000 |
| 1981 | 2,939,000 | 720,000,000 |
| 1982 (est) | 3,200,000 | 800,000,000 (est) |

Source: EIA/CEG

## Cordless phones seen growing to near million mark this year

Some of the hottest numbers at the Consumer Electronics Show last month were those on cordless telephones. Dealers at the show saw a wide variety of cordless phones on view, as manufacturers introduced new styles and features in an attempt to capture market share in this explosive new industry.

Although many of the phone manufacturers MART contacted at the show would not speculate as to what percentage of the market they would actually obtain in the next six months, many indicated that overall telephone sales would increase from 35 to 100 percent over the next year, with cordless phone sales being the major thrust of that growth.

The total cordless market is projected at anywhere between 600,000 and 1.2 million units this year.

Both manufacturers and retailers seem excited about cordless phones. In fact, one phone supplier's stock went up 50 percent during the show.

"I think excitement over Phone-Mate's RoamPhones at the show was probably the cause of the stock increase," speculated Robert Petkun, vice president, marketing and sales.

"Clearly, cordless phones are winners," said Petkun, who added that he was almost sold out of the RoamPhone at the show.

Phone-Mate's "End of the Dumb Phone" ad and promotional campaign is the marketing strategy Petkun is trying to impress upon retailers.

"The key is for retailers to get behind the 'End of the Dumb Phone' campaign and establish themselves as the smart phone store," stressed Petkun. "The 'End of the Dumb Phone. . .Start of the Smart Phone' is emotion-provoking advertising." About $4 million will be spent on television commercials, national magazine ads, and a 100-percent co-op program for retailers, he added.

Already test-marketed in San Francisco, the campaign is rated a success.

Phone-mate introduced its latest

*[Continued on page 62]*

## Portable-VCR sales gain on home units

Some video-cassette-recorder manufacturers are questioning the 1.9-million-unit VCR sales projected for 1982 by the Consumer Electronics Group of the Electronic Industries Assn.

Panasonic President Ray Gates, chairman of the group and of the EIA/CEG video division, disclosed the 1.9-million figure at the video conference during last month's Consumer Electronics Show. The projection represented a 40-percent increase over the 1,361,000 units sold last year.

If home VCRs show some signs of

*[Continued on page 57]*

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# Digitals News

## Computers follow consumers home

**'We have the potential this year to sell more units than were sold in the history of the market:' Ross**

With sales of 2 million units predicted for this year — 650,000 of them for consumer usage — the personal computer has found a home in the consumer market, according to officials of computer firms exhibiting at last month's Consumer Electronics Show.

A number of computer firms showed new products at the show, and those already in the market broadened their libraries of computer software. And, retailers at the CES indicated, as video games become more sophisticated and the gray area at the high end of the game market and the low end of the computer market broadens, a number of stores are looking at low-end computers as a natural adjunct to their video-game or advanced-consumer-electronics businesses.

Market estimates, given at the CES computer panel, show hand-held computers holding about 25 percent of this year's personal-computer volume, with portable models taking about another 5 percent.

Drawing considerable retail traffic during the show was Timex, which starts national deliveries late this month on its under-$100 TS 1000 (MART, June, page 16.) Dan Ross, vice president, computer products, told MART the unit will be on allocation at the beginning.

"Having it on allocation allows us to bring some needed order and integrity into the computer business," he explained. "We have the potential this year to sell more units than were sold in the history of the market, but we expect to have more demand than supply. So we're insisting that dealers carrying the unit provide sales training for their people and make a commitment to the product and its peripherals."

Timex will begin consumer advertising for the computer August 30, using both print ads and TV commercials.

Initially Timex will offer 23 software programs, from three suppliers; by the end of the year the software library will more than double, Ross said. "Games will be about one-third of the initial software offering, but they won't be our major thrust," he added. "We feel this is a very serious product."

At first the software for the Timex computer will be sold only through stores carrying the hardware, Ross added, "but I see no reason why say, beyond 1983, it couldn't be sold through software-only outlets."

While not the major impetus for the personal-computer market, games do represent a significant factor, according to executives of two other personal computer firms.

"Video games have been one of the driving factors in the development of the home computer," declared Bill Turner, marketing manager for Texas Instruments' consumer products group. "Because of the popularity of these games, people now understand the concept of interaction and are buying cartridges for other uses. I see a great trade-up happening between games and computers."

However, Turner added, "from 1983 to 1985 communications will be the major driving pull-through factor."

Alan Fink, president of Commodore's consumer products division, commented, "Games have brought the mass of people closer to the computer, by reducing the fear of handling electronic devices."

At the CES, Commodore introduced its new MAX three-in-one home computer/game/music synthesizer, to be available later this year at $180. The MAX uses new sound and graphics chips said by the company to "bring arcade quality into the home." It will be sold with a variety of arcade games, educational and music programs, and peripherals, and can use BASIC computer language.

"We want to be the number-one home-computer company in the United States by December," Fink declared. He said Commodore plans an aggressive ad compaign for its line, featuring actor William Shatner as spokesperson.

The hand-held computers being sold by Panasonic and Quasar also got strong retail attention at the show. Quasar was telling dealers about the first in a series of software capsules for its unit, a Time/Trac capsule at $135 designed to allow people who bill by time allocation to monitor their time, and a four-color plotter at $495, used to generate drawings in color.

Computer suppliers agreed during the CES computer panel that successful retailers in this business should carry a broad array of software to maximize sales.

"The personal-computer dealer needs to carry at least 40 to 60 software packages today," TI's Turner advised. He said he feels home-management programs are most popular with consumers, along with educational programs, business-at-home functions, and data-base access.

Commodore's Fink agreed, "For the home market the biggest growth will come in programs such as CompuServe, which allow access to an infinite amount of information." He also predicted an eventual link between the personal computer and home-security system.

"Right now there's a 50/50 breakdown between hardware and software in terms of dollar sales, but there's no question the dollar volume and profit potential are more important for the average retailer on the software side," Fink said.

And Ross of Timex predicted, "Educational and home-management programs will undoubtedly be big sellers. Ease of use of the computer in the home will become a strong driving force too, as consumers realize they can do things such as banking at home." ■

CATHY CICCOLELLA

### Video games, computers: where do they cross?

**Where is the crossover point** between video games and home computers?

**Hardware manufacturers feel that point is already here:** Atari offers two personal computers in addition to its game, and Mattel is looking at computer-oriented programs for its Intellivision games using its keyboard and has simple home-management cartridges available already.

**Game software producers are also eyeing the computer market.** At Activision, for example, President Jim Levy said his firm will offer computer software eventually, although he feels the market is not strong enough yet.

'There's no real market yet for computer software, because no hardware system has sold in significant numbers yet,' he told MART. 'It's still a very small market, although it will develop.'

**One company with more definite plans** to offer computer software is Apollo. President Pat Roper said his firm is currently negotiating to produce computer software for 'three or four major systems.' These deals should be announced in about a month, he added, 'and once they go through we could have computer cartridges out in four to six months.'

**Also considering computers — this time from the hardware side —** is Coleco, which recently began supplying video-game cartridges for the Atari and Mattel systems, and has also developed its own ColecoVision game concept.

Company officials have indicated that a move into home computers could be next possibly as early as late 1982 or 1983.

### MART MONEY MAKER

**'When selling blank video tape, draw attention to the tape's quality — advertise for a quality image, not price.**

**'If you go strictly on price, you can advertise a cassette for $1.20 and the guy down the street will just turn around and advertise it for a dollar, and then what have you accomplished?'**

***— John Dale,***
***Magnetic Tape Division,***
***Fuji Photo Film***

### PERSONAL COMPUTERS

**Total Estimated Sales to Dealers in units**

| | |
|---|---|
| 1979 | 150,000 |
| 1980 | 325,000 |
| 1981 | 500,000 |
| 1982 | 2,000,000 |

### PERSONAL COMPUTERS (By Product Category)

**1982 Total Estimated Sales to Dealers in units**

| | |
|---|---|
| Professional—Personal ($1,000—$5,000 retail) | 750,000 |
| Consumer—Personal (Under $1,000 retail) | 650,000 |
| Portables | 100,000 |
| Hand Held | 500,000 |
| Total | 2,000,000 |

**Source: EIA/CEG**

### Married men in love

**Who's buying personal computers?**

**Mostly men,** according to research conducted by Texas Instruments. Bill Turner, marketing manager for TI's consumer products group, told MART the typical computer purchaser is a married man (86 percent of purchasers are male, 75 percent married), 31 to 40 years old, with a college degree and a household income of $30,000 or more. The average computer family ranges from three to four members.

**'People are buying** computers these days as an investment — the product has a five- to 10-year life cycle,' Turner said. 'And a lot of people are buying computers as the next step up from a "super" video game. They're "video junkies" — they need a new and better video fix, and the computer provides it.'

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# Audio News

## Programs, not power, spotlighted by audio firms

*[Continued from page 49]*

audio for pleasure."

Akai America is cooling its emphasis on "more power for the buck" as well. Overall, the audio business is tough, noted Michael Wiggins, audio national sales manager, so making money is more a matter of "digging in and merchandising.

"It's important to have product, styling, and innovative technology, but there's more to the business," Wiggins said. "We're traveling a lot more in the field, and creating more imaginative merchandising programs than in the past. Akai is taking a look at its distribution patterns, trying to pinpoint where we can increase our market share. We're making an attempt to bring on more medium and small dealers.

"There are fewer dealers around now," he continued, "and when an industry has fewer dealers doing business, the competition for their attention becomes more vicious. As a result, we have had to sharpen our edge and keep close tabs on all aspects of our business. We're using analytical tools more than we ever did."

Wiggins reported that Akai retailers have been instituting similar programs themselves: "They are examining their businesses, 'tightening up ship,' and watching their inventories closely. These dealers want higher turns and are looking for products they can sell quickly."

Pioneer Electronics (U.S.A.), which has been undergoing extensive reorganization itself, plans to institute many of the same economic programs currently urged on retailers. More selective distribution and tighter product lines appear to be in the company's future.

"There has been a lot of discussion of Pioneer's inventory position," acknowledged Bill Mattheis, senior marketing vice president, "but it's nowhere near the problem that's been reported."

Still, "the company is reevaluating its distribution position. We're accessing our needs, and we want retailers to do that too."

This month, for example, Pioneer will discontinue sales to catalog showrooms in a move to put more emphasis on electronic-specialty stores.

"The dealers I meet are watching their inventories as well," stated U.S. JVC Corp.'s vice president of hi-fi and home entertainment, Harry Elias. "Also, they are selective of the vendors they do business with. I find retailers are also taking more advantage of manufacturer-supplied ad programs.

"My suggestion to dealers has also been to hold up on expansion," he added. "I think retailers should sit tight and not expand their operations for at least one year, in light of the economy. Over-expansion causes cash-flow problems and personnel problems. A retailer can't just move from a small operation to a chain — he or she runs into pilferage problems, and loses count of inventory. If they are not strongly organized, I'd encourage them not to expand."

In the current market, what's selling?

"AM/FM/cassette portables are still strong," said Don LaDieu, Sony sales manager, "and microcassettes could be beginning to take off from purely business applications to entertainment with microcassette 'Walkmans.' "

LaDieu does not believe a lack of prerecorded micro software will hamper the market. "What the consumer is buying," he said, "is not pre-recorded music, but blank tape. Most people are interested in recording their own music."

Cassette recorders are a healthy category, manufacturers agree.

**SEPARATE AUDIO COMPONENTS**

| Total Factory Sales in millions of dollars | |
|---|---|
| 1979 | 1,178,000 |
| 1980 | 1,424,000 |
| 1981 | 1,308,000 |
| 1982 (est) | 1,200,000 |

**PORTABLE AUDIO TAPE EQUIPMENT**

| Total Factory Sales | Units | Dollars (millions) |
|---|---|---|
| 1979 | 11,853,000 | 1,739,000 |
| 1980 | 16,985,000 | 1,403,000 |
| 1981 | 20,043,000 | 1,157,000 |
| 1982 (est) | 22,000,000 | 1,110,000 (est) |

**RADIOS**

| Total Factory Sales | Units | Dollars (millions) |
|---|---|---|
| 1979 | 40,029,000 | 1,063,000 |
| 1980 | 39,574,000 | 1,429,000 |
| 1981 | 44,359,000 | 1,619,000 |
| 1982 (est) | 40,000,000 | 1,400,000 (est) |

**Source: EIA/CEG**

Mura Corp. plans to market a smaller-than-pocketsize personal stereo system (Executive High Stepper; $60) before the next CES. Mort David, chairman of the board, told MART the market for personal stereo continues to "move way up. I had expected it to flatten off this summer, but it keeps increasing.

"This will never be a CB category," he said, despite the growing number of market entries. "It will go through a contraction phase," he allowed, "but then it will be like a calculator — a legitimate product. And like calculators, there will always be newer designs, and smaller sizes and prices."

Bill Smith, manager, marketing, of General Electric's audio electronics products department, told MART, "Personal stereos are taking some sales away from traditional portable radios, but they're also providing some 'plus' business. In tape, there's also a transition going on: 'transportable radio/tape units with separate speakers are doing very well, taking some sales away from the high-end boom box."

As for the year as a whole, Smith commented, "This year started out in a trough and has been working its way out. It looks like projections for a good second half might come true."

Sol Boucai, president of H.H. Scott., predicted, "The receiver market is about equal to last year. Amplifiers and tuner combinations, sold separately, will decline 10 to 15 percent; however, they will pick up some of those lost sales when sold in racks. Cassette decks will be up 10 to 15 percent as well.

"In fact," he added, "the only soft spot appears to be in the good, 'name' speaker-system sale, but with stereo TV, that will probably come back."

Meanwhile, the market for compact stereo systems continues to shift. As the population ages, the number of 15-year-olds (compacts' primary audience) is dwindling. Hard-pressed to pick up additional sales, manufacturers now concentrate on boosting market share. As these suppliers woo dealer orders away from their competition, retailers should benefit from sharply aggressive manufacturer pricing and promotions.

According to Jack Weiss, national sales manager for Panasonic's home entertainment systems, his company is one that indeed plans to peel sales from the competition.

Panasonic is also expanding into inexpensive "rack-type" systems, adding product that, like a compact, features a receiver/cassette combination, while offering the turntable as a separate component. A separate turntable, he told MART, supplies consumers with the mystique and ego-boost associated with buying separates, but not the confusion of individual component options.

Moving up the price spectrum, Barry Goldman, Teac's vice president of sales and marketing, reported that he feels "fortunate that tape recorders have held up better than expected in the recession." The company has also added more accessories and tape products, because, Goldman said, "they're very good business, very profitable.

"That doesn't mean we're doing gangbusters," he added, "but we're probably near the bottom of the slump. It will probably get better, not worse."

According to Michael Wertman, Gusdorf's senior vice president of marketing and sales, and Peter Reszko, regional sales manager for Recoton, furniture and accessories are two areas relatively unaffected by price-cutting.

"Although we can't escape the realities of the economy, we expect the fall to be very strong for audio and video furniture," Gusdorf's Wertman said. "Unlike audio-hardware sales, our sales don't depend on new purchases to grow. Millions of units of audio and video equipment already in people's homes require furniture. We also offer good margins, which are harder to squeeze than hardware profits, because our market is not as sensitive."

"Most of the competition in the market is in areas other than accessories as well," Reszko of Recoton explained, "so that while the major manufacturers are battling it out, we have our niche. No price squeeze exists in accessories: we sell over 100 new items that retail from under $1 to over $300. Yet we are not a price-sensitive category, because there's no sense in cutting pennies from plugs or connecting wire."

What about digital audio-disc players? The first systems are expected to be on the market in 1983, and a number of manufacturers displayed or introduced various prototypes at the CES. Still, many audio suppliers plan to play their digital cards close to the chest.

After the painful market introduction of the video disc player, said Wiggins of Akai, "it remains to be seen if digital audio is a viable category. A lot of companies will be coming out with the equipment next year. If they're successful, we'll get on the bandwagon. However, in light of its pricing and the current economy, I think digital audio may be hard to sell. It's a very expensive experiment that only the big companies can afford at this point."

Elias of JVC, one of the "bigger companies" currently planning for digital, expects the new category will "add excitement to the market and speed the marriage of audio and video" by increasing the demand for a host of new add-on products. ■

**Marcia Golden**
Associate Editor

# Video games, game software star at CES

| VIDEO GAMES (Hardware) Total Estimated Sales to Dealers in units | | VIDEO GAME CARTRIDGES Total Estimated Sales to Dealers in units | |
|---|---|---|---|
| 1979 | 400,000 | 1979 | 4,000,000 |
| 1980 | 2,200,000 | 1980 | 9,000,000 |
| 1981 | 4,200,000 | 1981 | 30,000,000 |
| 1982 | 8,000,000 | 1982 | 55,000,000 |

**Source: EIA/CEG**

*[Continued from page 49]*

During a CES panel, sales to dealers of the game consoles were estimated at 8 million units.

How does that market break down by game system? According to Imagic President Bill Grubb, whose company is now making cartridges for each of the three leading game formats, by the end of this year 8 million Atari consoles will be in use, along with between 1.5 and 2.5 million Mattel Intellivision systems and 1.6 to 2 million Odyssey games.

"We feel total game saturation now has reached 16 percent of American homes," Grubb told MART.

Imagic currently is selling five Atari-compatible cartridges, at $32 each. The firm starts deliveries in September or October on 5 games for the Intellivision format, priced at $40 each, and will deliver its first Odyssey-compatible cartridge in January.

"The total game-software business should represent between $1 and $1.5 billion at wholesale this year," Grubb commented.

Another major game-software firm, Activision, is also broadening its horizons, according to President Jim Levy. The company has 16 Atari-compatible cartridges currently available, and will add two more in September and an additional two in November.

At last month's CES, Activision sneak-previewed its first two cartridges for the Intellivision system—"Stampede" and "Pitfall." These Mattel-compatible cartridges will be available in November.

Mattel, which currently is delivering 38 standard Intellivision cartridges and will shortly have four more using the system's voice-synthesis capability, started deliveries last month on the first four titles in its "M Network" series of Atari-compatible games; another three or four are due out this month, according to Peter Pirner, executive vice president. Pirner told MART Mattel will have 11 Atari-format cartridges by year-end.

Mattel begins shipments of its voice module August 1. "The voice capability will break open a whole new development in consumer interest in games," commented Dick Baumbusch, Mattel's newly named director of marketing for Intellivision. "It provides a dimension the arcades can't duplicate, because they're so noisy—this is an area in which home games will lead."

Coleco starts deliveries this month on its new ColecoVision game system, according to Michael Katz, marketing vice president. The company, which is starting to deliver Atari-compatible game cartridges as well, also displayed an adaptor for its own system that allows games in the Atari format to be played.

Starting this month, Coleco's games in the Atari format will also be distributed by Sega Distribution, a joint activity of Paramount Home Video and game firm Sega Enterprises (of which Paramount Pictures owns 85 percent).

"Retail outlets that used to only handle cassettes are now getting into video games and other video software, so the timing is right" for such a venture, said Mel Harris, Paramount Home Video president.

Other movie companies are also getting into the game business. Atari announced plans for a 50-50 joint venture with Luscasfilm, creator of the movie "Star Wars," to develop new games to be distributed by Atari.

The company also gave dealers the latest on its new 5200 game system: deliveries begin in September, and the console is now priced at $250, down $50 from the originally announced suggested retail. Ten game cartridges—non-compatible with the current Atari system—will be available when the console goes on sale, with four more due by Christmas.

Another new game firm with a movie-studio tie-in is Fox Video Games Inc., which will develop games for Atari system. Frank O'Connell, formerly of Mattel, is president of the new company.

The new Fox unit will have four games available next month, two priced at $30 and two at $35; four or five more will be added in January, with the company possibly moving into other game formats at that time.

And, MCA has set up a new division, MCA Video Games Inc., to develop and market game cartridges. Jim Fiedler, president of the new firm, told MART the games will use characters created by MCA's Universal Pictures operation, such as "Smokey and the Bandit" and "Bruce," the shark from "Jaws."

"We probably won't make Christmas with our first games, although I'd like to," Fiedler commented. "It will probably be mid-1983 before they're on the market."

Another programming supplier, Thorn EMA Video Programming Enterprises, was also on hand at the CES with its line of games for the Atari and Commodore systems, to be in stores this fall priced from $20 to $40.

CBS Inc. also formalized its pact with Bally Manufacturing during the show: a new company, CBS Video Games, will market at least three Bally games for the Atari system by the end of this year. Games for Mattel's Intellivision are also on the drawing board.

The CBS games will be distributed through consumer electronics outlets as well as toy stores and mass merchandisers.

Astrocade (formerly Astrovision) was at the show with 10 new games due out by October.

Astrocade also showed a new add-on computer module for its game system. The unit, called ZGRASS-100, is designed to allow users to create their own video games and run business programs; four programs will be available initially for the computer attachment, which will be available this fall at under $600.

Other new game entrants at this show included General Consumer Electronics, with its portable Vectrex game with self-contained video screen (MART, June, page 28), and Telesys, making its debut at the CES.

Telesys will initially market three cartridges for the Atari game system, with an emphasis on offbeat ideas, according to Jack Woodman, co-founder and vice president of marketing. Shipments begin in September.

Is a shakeout coming in the game-cartridge field? Some suppliers think so. Pat Roper, president of Games by Apollo, a recent entrant into the business, commented, "This business will definitely level out. It's seeing the kind of explosive growth now that brings out price competition, but in the next year or so the market should stabilize and become more profitable.

"For the short term, however," Roper said, "companies will be dropping out. Everybody and his brother will not be in this business in two or three years.

And Richard Hoag, vice president of sales for Mattel, told MART, "Game manufacturers are going to have to be very aggressive to survive in this business. So many games are available now that retailers won't be able to carry all titles; some companies with less-creative games will be sloughed off, and will start dumping. And that could hurt the business as a whole—if consumers buy standard-quality software with a high boredom level, they could get turned off from the whole category."

Added Activision President Levy, "There will only be gluts in games that don't sell. The strong companies will offer original, creative work, not just reworked arcade games. To be successful a game software company needs creative strength, solid distribution, ad and promotional support, long-term planning, and good financial support-and those are the basics on which a retailer should choose his or her suppliers."■

**Cathy Ciccolella**
Editor-in-chief

## Odyssey to stress voice, boost distribution.

**'If a video-game cartridge doesn't have voice capabilities,** it could wind up passe.'

**That's the view of Dave Arganbright,** vice president and general manager of the Odyssey division of N.A.P. Consumer Electronics — and that's why Odyssey plans an advertising blitz this fall for its new voice-synthesis module, due out next month at $99.

**The voice module includes the capability to pronounce words** typed into the Odyssey system via its keyboard; the company plans to introduce eight new cartridges — five of them games, the rest educational — with voice capability through the end of this year.

**Odyssey is also broadening its distribution,** according to Arganbright. This fall the game console will appear in the Sears Roebuck and Montgomery Ward catalogs for the first time, and it is expected to be sold through other new retail outlets as well.

'We're not trying to shove all our products through our color-television distribution channels,' explained Myr Jones, N.A.P.C.E.'s general marketing manager. 'That's why we pulled Odyssey out as a separate division.

**Cartridge availability is also broadening:** Imagic is about to become the first independent game-cartridge supplier to offer games in the Odyssey format, through an unofficial relationship with N.A.P.C.E.

**N.A.P.C.E. will spend more than $20 million this year** to promote Odyssey. A new character, 'The Wizard of Odyssey,' will appear in the ads, which will use the theme, 'the keyboard is the key.'

In addition to a September advertising blitz for the voice module, Odyssey will also use a heavy concentration of advertising in November for its new 'K.C.'s Revenge' cartridge, a replacement for 'K.C. Munchkin,' which the firm was forced to take off the market after legal action by Atari.

**Also, a promotion running now through October** will offer consumers a free baseball cartridge with the purchase of an Odyssey game console.

**Arganbright said he expects the total game-hardware market** this year to hit about 6 million units, up about 50 percent from 1981. Sixty million game cartridges should be sold this year, he predicts, more than a 50-percent increase over last year.

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# Video News

# Portable-VCR sales hurting home decks?

*[Continued from page 49]*

leveling off, this drop is offset by the "surge of interest in portable VCRs," according to Gates.

In a number of instances VCR producers are projecting 1982 industry sales at 2 to 2.25 milion units, while others' forecasts are down to a 1.8- to 2-million-unit year.

In the meantime, manufacturers are greeting the compact video cassette recorder offered to the industry by JVC with mixed emotions. Some producers had the new compact recorder on display even though they are not ready to make a commitment. Others are ready to join the ranks, while still others are not aligned with the JVC concept.

All agree, however, that the compact-VCR concept will eventually come into its own in the near future.

The JVC compact VCR is said to be 40-percent smaller and 50-percent lighter than previous VHS models. It offers 20 minutes of record/play time and, according to JVC executive George Meyer, "is designed for the customer who already owns a home deck."

The unit, to be available late in the fall, is expected to retail for around $700. It features lower power consumption than previous portables, and includes a direct-drive motor and a new parallel tape-loading system.

A new TC-20 compact cassette will be marketed concurrently with the new compact JVC recorder.

Harry Elias, JVC's vice president of hi-fi and home entertainment, predicted portable VCR sales will reach 32 percent of the total VCR market this year, and hit 50 percent by 1985. "This growth is due to the advances in miniaturization and the growing popularity of home movies," he commented.

Art Westburg, Sanyo's executive vice president-sales and marketing, agreed that compact VCR is "down the road," but would not comment further. As for estimated VCR sales for this year, he put the figure at between 2 to 2.25 million units. "Sales of VCR at Sanyo have been outstanding," he said.

At General Electric, where 1982 estimates for VCR sales run between 1.9 and 2 million units, Mike McDavitt, marketing manager, believes the compact video recorder "may be a good bridge between the standard VCR and the combination VCR/camera, which we think will be coming in the next few years." No decision has been made at this time as to whether GE will go compact, McDavitt added.

GE's sales of traditional portable VCRs represent about one-fourth of the firm's total video-recorder sales, McDavitt told MART, "and I can see that total reaching one-third of our business."

The high-end VCR market is slipping, however, he acknowledged: "More people are moving into portables; we're seeing the bulk of the volume increases in low-end table models and high-end portable VCRs."

As for the compact VHS recorder, he commented, "We think that as the VCR market gets more sophisticated, the products down the road will be easier to use — making the recorder smaller and lighter is one way to make it easier."

Both Panasonic and Qausar showed the JVC concept at the CES, but admitted they had no definite plans to get into the compact market. Stan Hametz, Panasonic general manager for home video, noted that "the fact we are showing it speaks for itself. It means we feel there is something in it, and we've got to keep our eyes open to it."

Roger Heuberger, marketing manager for Quasar, said the company has no delivery schedule on the compact; the earliest the firm might offer such a unit would be the fourth quarter of this year.

Jay Lancy, Toshiba America's national marketing manager, video products, said his company is looking at the compact VCR. As for VCR business projections for this year, he puts total sales at 2 million, depending on the credit situation.

"While the industry may sell more units, the dollar volume on a per-item basis has eroded, both for the manufacturer and the dealer," Lancy said. He added that he has seen a lot of $499 prices this year he didn't see in 1981.

As for inventories, it was pointed out by one major supplier that there are many more brands vying for a piece of the VCR pie. This source estimated there are currently about 25 brands in the field, against 10 to 12 last year. In explaining the dip in distributor to dealer sales recently, he noted that the comparisons are against higher 1981 figures than earlier in the year.

One manufacturer which had a definite negative response to the compact video recorder was Hitachi Sales Corp. of America.

"We looked at the unit, but we elected not to do anything with it," said Robert O'Neil, executive vice president. "From what I gather there isn't much of a spread between it and the price of a standard VCR. It's something like $150 away from the standard VCR. I don't think its weight is significant; in recording time, it's 20 minutes against eight hours.

"We had a compact unit on display, but we are not getting much of a response from the dealer," O'Neil said.

At Magnavox, Bob Eastwood, national marketing manager, VCR and video disc, said the company has been looking at the compact unit, with a possibility of getting into that market this fall.

"If we don't, well, that's another question," he added. In the meantime, Eastwood sees a 2- to 2.1-million VCR sales year for the industry, and he believes sales are "right on track for this projection." Magnavox VCR sales have been "substantially better than a year ago because of good promotions."

Jack Sauter, RCA group vice president, looks to a 2-million-unit VCR sales year. He feels portables will account for about 30 percent of total VCR sales.

"We have mixed emotions about the compact video by JVC," Sauter told MART. "While we are in the preliminary stages of preparing that kind of product for introduction, we feel, nevertheless, a certain doubt about its viability because of its limited features.

"We still think the one-piece ¼-inch VCR/camera will be here next year," Sauter told MART, "Or if not next year, it won't be far behind. I don't see any reason for both of them."

Other video manufacturers put the introduction into the U.S. market of the camera/recorder combo further out.

"My personal instinct is that we will not see the 8mm combination unit on the market in 1983," commented Panasonic President Ray Gates. "The companies involved still haven't finalized the details of the technical specifications — they're only agreed to agree, which in Japan means there's still time yet. I personally think we'll see that unit on sale in 1984 — nobody should worry about it in 1983."

Sony Sales Vice President Ed Adis agreed, "I don't expect to see that type of unit on sale here any sooner than two or possibly three years from now," while Art Westburg of Sanyo put the target date at "1984 or early 1985."

Westburg feels the portable segment of the VCR business will not only grow bigger, but will eventually start to eat into the high end of the home-VCR market. "There will always be a place for the low-end and middle-price table model," however, he commented: "That business will not be impacted by portables."

"But certainly the high-end VCRs will be affected," Westburg added. "The new technology available in portables and their flexibility means these units will be a growing segment of the VCR market." ■

ART WEINBERG

## Four new suppliers show off video recorders at CES

**Four new companies jumped on the video-cassette-recorder bandwagon** at last month's Consumer Electronics Show, two of them photographic-camera suppliers.

**Canon made its expected move into the field** (MART, June, page 14) with an eight-hour portable VHS recorder and a programmable tuner/timer with 16-function wireless remote control, plus a 5½-lb. color video camera with auto focus and power zoom. Deliveries begin this month.

**Another camera firm, Pentax, came to the CES** with a four-head portable VHS recorder at $1,269, a $530 tuner/timer programmable for eight programs over three weeks, and a 4.2-lb. color camera with electronic viewfinder at $1,069.

Richard Howell, marketing service manager, told MART the video units will be available late this month or early in August. 'We are marketing these products so our existing dealer base—primarily but not exclusively photo-specialty stores—can assimilate video into their businesses,' he commented.

**Two more audio firms also entered the video arena. Marantz showed** a Beta VCR with stereo sound at the CES; the recorder is due on the market early in October. The unit, said to be the first of a VCR line from Marantz, includes Dolby C noise reduction and will retail for $1,295. Two more VCR models are planned during the first half of next year.

**Also entering the video field was Jensen Sound Labs,** which showed a stereo VHS recorder at $1,595 as part of a new line of video components due out in October.

## Supreme Court will hear video-recording case

**The Supreme Court** has decided to take on the home-video-recording issue.

**The original VCR case,** in which Universal City Studios and Walt Disney Productions sued Sony Corp. of America for copyright infringement, will be argued in front of the Supreme Court next winter. A decision will probably not come before 1983.

**Sony won the original case,** then lost when the decision was reversed by an appeals court, which ruled that home video recording is not covered under an exception to the Federal copyright law.

Since then, VCR manufacturers, the Electronic Industries Assn., and others have been working to change the current copyright law.

### VIDEO CASSETTE RECORDERS

| Total Sales to Dealers in units | |
|---|---|
| 1979 | 475,000 |
| 1980 | 805,000 |
| 1981 | 1,361,000 |
| 1982 (est) | 2,000,000 |

### COLOR VIDEO CAMERAS

| Total Sales to Dealers in units | |
|---|---|
| 1979 | 61,000 |
| 1980 | 115,000 |
| 1981 | 190,000 |
| 1982 (est) | 350,000 |

Source: EIA/CEG

# Consumer Electronics

## Industry sales expected to double in five years

**The age of video continues to bring an expanded share of consumers' disposable income**

A most optimistic picture was projected at an industry-outlook conference held during the Summer Consumer Electronics Show last month. Industry unit and dollar sales of consumer electronics are expected to double over the next five years, as these products continue to get an expanded share of the consumer's disposable income.

Looking back over the past seven years, William Boss, a vice president of RCA Consumer Electronics and of the Electronics Industries Assn.'s Consumer Electronics Group, told attendees that total U.S. factory sales went from $5,224 million in 1975 to $11,404 million in 1981.

And with the new age of video, Boss continued, retail sales of video products are estimated to reach $15.4 billion by 1985, a 60-percent increase from $9.2 billion in 1981. By 1990 sales are expected to nearly triple to $26.3 billion.

Tracing the success of the consumer electronics industry, Boss tallied five "electronic ages," starting with the birth of radio in 1922. Radio/phonographs began the second electronic age in the 1940s, expanding the entertainment field just one more step.

The development of monochrome television in the late 1940s began the third stage, when TV became the single primary source of information, education, and entertainment. Then, color television added an even newer dimension to entertainment.

Audio initiated the fourth electronic age in the 1970s, and sales of audio equipment soared. In fact, Boss noted, 75 percent of the CES exhibit space was devoted to audio compacts and consoles during that time.

Today the industry is experiencing the fifth electronic stage — the age of video — in which the consumer electronics industry has thus far enjoyed prosperity in dollar sales and unit volume, he said.

The consumer electronics industry overall has avoided the downturn in the economy with record sales, Boss said.

Reviewing last year's figures for the various consumer electronics categories, Boss noted that video cassette recorders have been the most successful, with sales to dealers tripling in a two-year period. He projected sales will near 2 million by the end of 1982. In 1980, VCR unit sales were only 804,663 in comparison. And, Boss added, portable video-cassette-recorder sales will comprise at least 50 percent of total VCR sales by 1984-85.

Color television receivers have also enjoyed success, with sales to dealers estimated to reach 11,400,000 units by the end of 1982, up from 11,157,000 sets sold in 1981. About 40 million color-TV sets in households across the country today are candidates for replacement, Boss reported.

Video disc players are also expected to take off, Boss noted, with unit sales estimated to be in the 250,000-to-350,000 range by the end of 1982, up from 157,000 units in 1981. And, sales of video discs are expected to jump from 3 million units in 1981 to between 5 and 7.5 million by the end of 1982.

Audio compact and component systems are expected to rise also. Units should increase by 302,000 units — from 2.94 million in 1981 to 3.2 million by the end of 1982. In dollar sales, audio compact and component systems are expected to reach $800 million by the end of 1982, up from $720 million in 1981.

"The sands are shifting constantly, and every category will have its day in the sun with the new levels of consumer acceptance," concluded Boss. ■

PEGGY ODENBACH

**COLOR TV RECEIVERS**

| Total Sales to Dealers in units | |
|---|---|
| 1979 | 9,846,000 |
| 1980 | 10,837,000 |
| 1981 | 11,157,000 |
| 1982 (est) | 11,400,000 |

**MONOCHROME TV RECEIVERS**

| Total Sales to Dealers in units | |
|---|---|
| 1979 | 6,254,000 |
| 1980 | 6,285,000 |
| 1981 | 5,541,000 |
| 1982 (est) | 5,300,000 |

**VIDEO DISC PLAYERS**

| Total Sales to Dealers in units | |
|---|---|
| 1980 (est) | 40,000 |
| 1981 | 157,000 |
| 1982 (est) | 250,000-350,000 |

**PROJECTION TV**

| Total Sales to Dealers in units | |
|---|---|
| 1979 | 26,000 |
| 1980 | 57,000 |
| 1981 | 122,000 |
| 1982 (est) | 118,000 |

**Source: EIA/CEG**

### GE TV bets on do-it-yourself athletic analysis

**Will today's fitness-conscious consumers buy a portable video recorder** and camera just to brush up on their athletic techniques?

**They might, believes General Electric's television division.** That's why the company has launched a nationwide GE Videosports program to promote the home use of VCRs and video cameras for do-it-yourself video-tape analysis of athletic skills. GE is sponsoring a series of video-analysis clinics and demonstrations at five major road races this year.

**At each race, GE sets up a free video-analysis station to tape runners** as they run on an electric treadmill, then plays the tape back so the runners can get a look at their style and get tips from running experts. GE is also offering local retailers materials to tie in with each race program.

**'We believe this program has the capability to create store traffic,** increase actual sales, and meaningfully expand the marketplace,' commented Mike McDavitt, GE TV's general manager of marketing. 'What we are doing is simply showing people what home video can do for them.'

And since many runners are upscale consumers who make up the target audience for VCR sales, he added, hopefully the program will spur them to buy VCRs and cameras to continue their analysis at home.

### Gold Star manufactures first made-in-U.S. TVs

Gold Star starts shipping its first American-made color television sets next month, following this month's opening of the firm's production facility in Huntsville, AL.

The first U.S.-produced set is a 19-inch color model introduced at the Consumer Electronics Show. Gold Star will manufacture about 10,000 sets each month once the plant is in mass production.

At last month's CES, Gold Star showed its largest-ever consumer electronics line, including cable-ready 19- and 13-inch remote-control color models, three new cassette/radios, and new stereo components. ■

### *MART* MONEY MAKER

'When customers say they want to postpone a car-stereo purchase until they can get AM stereo, just ask them how much they really listen to AM stations now and is it worth the wait?'

*— Reese Haggott,*
*Alpine Electronics of America*

### Headphones may be hazardous to health

Are your customers harder of hearing these days? Then tell them to turn down the volume on their portable/personal stereo systems.

Recently a Chicago newspaper warned its readers that wearing headphones for an extended period of time could lead to hearing impairment when the music is turned on loud — a simple case of too many decibels for the ear drums.

The problem is nothing new. Remember the warnings against attending too many loud rock concerts? However, because of the recent rash of publicity, at least one headphone maker is now planning to tackle that issue, possibly in its next generation of headphones.

According to Michael Koss, product manager of Koss Corp., the problem with headphones is something headphone makers have known about for years, but it has never been an issue before. However, since it has surfaced in the last six months, Koss feels it is important to address the issue now.

He told MART that at certain decibel levels some hearing loss may occur in users of both the standard earphones that fit tightly over the ears, and the newer models designed for use with personal stereos.

But again, it's nothing new, Koss added: "My Dad put a mark on our audio receiver to indicate the point beyond which we shouldn't increase the volume, when I was growing up." ■

### Zenith's Wright hits TV dumping

Joseph S. Wright, in his recent farewell address to stockholders as board chairman of Zenith Radio Corp., attacked the United States government over several administrations in permitting Japanese firms to dump television sets on the domestic market.

At the same time, Wright attacked ex-government officials who have been hired as legal representatives or lobbyists by the Japanese.

"There is a dark side" to the success of Japanese manufacturers which "involves under-the-table payments, filing false invoices, and the obvious willingness to do anything to accomplish their objective," Wright charged.

He added that the real advantage Japanese manufacturers have "is a government that is willing to fight all the way to protect their home market, and also to get their companies off the hook when they are caught violating our laws." ■

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August 1982

# MART

The Retailer's Magazine of Electronics/Appliance Profit Improvement

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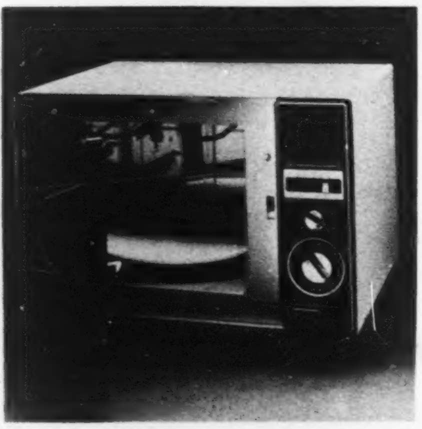
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# MAJOR APPLIANCES

MART
AUGUST 1982

## Housewares Show moves to spring and fall

**NHMA directors voted to change the dates of the semi-annual event 'as soon as possible'**

New dates for the Housewares Show are in the making, but just when they will become effective is up for grabs.

The initial move to spring and fall shows was taken when directors of the National Housewares Manufacturers Assn. voted to change the dates of the semi-annual event from January and July to spring and fall months "as soon as possible" (MART, July, page 23).

Now it is up to the Chicago Convention and Tourism Bureau and officials of McCormick Place to act.

Duane Peterson, general manager of McCormick Place, commenting on when new dates might be announced, said, "At this point I wouldn't even hazard a guess as to how long it might take. So many things are involved, and with a major shift of this kind, many things have to fall in place, as it required major shifts of the schedules of other shows."

Jerry Sanderson, vice president of sales of the Convention Bureau, told MART, "We don't have a clear date open for spring or fall, for many years. We are now in the process of questioning various groups that have meetings scheduled for the spring and fall months."

NHMA, for example, had fixed dates for its January and July shows through 1986, with tentative dates through 1988. With the Association's new interest in the spring and fall months, new dates are expected to be set. Sanderson hopes an announcement could come by the January, 1983, show.

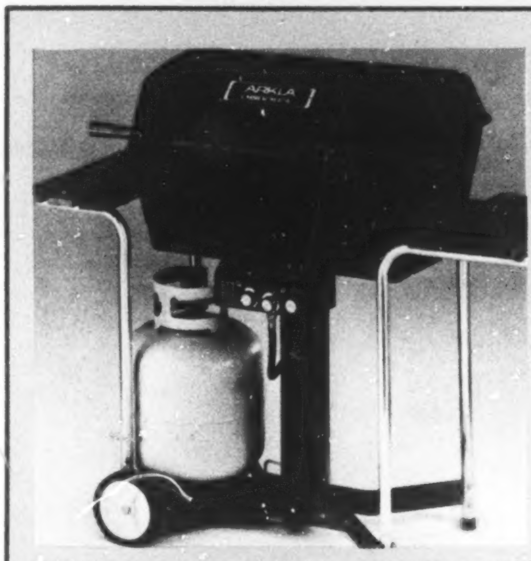
The January-July dates have been a bone of contention in the industry for a long time. Even when the summer shows were held in Atlantic City, rumblings against the dates were heard. The issue, then and now: July dates are too late for merchandising Christmas programs and fall catalogs; January dates do not leave enough time for setting up spring programs. The situation has been aggravated with the growing importance of catalog showrooms, which prepare their catalogs for distribution in early fall.

In announcing the unanimous decision of the NHMA board, Ronald A. Fippinger, managing director, said the decision was based on "numerous factors that have surfaced within the industry over the past several years. These include written and verbal expressions about show timing from leading retailers and distributors in all channels of distribution, as well as other industry groups and associations."

Another factor was the recent study of buyers carried out over the past several months for the NHMA board by Louis Harris and Associates, to help decide what dates would best serve the needs of the industry at this time.

Fippinger pointed out that the two-part Harris study included a random sampling of 602 housewares buyers and 262 merchandise managers who had registered at the January, 1982, show. A

*[Continued on page 10]*



Arkla's Flavorview gas grill allows visual inspection of the food while lid remains closed. **Write in 393.**

## Gas grills to reach two million units

Quick — What's the fastest-growing cooking appliance in the appliance business? (no fair looking at the headline.)

Hint: It is growing faster than microwave ovens, convection ovens, and certainly faster than any range product.

Another hint? Market saturation has reached more than 10 percent and could eventually reach 40 percent or more in the years ahead.

Still another hint? Unit sales are expected to reach two million units a year next year.

If you need more hints, or if you haven't guessed gas grills by now you're probably one of the retailers who is missing out on a large and growing appliance sales opportunity.

Despite the economy, sales of gas grills are growing, rapidly becoming a profitable "mass-market" product category.

*[Continued on page 8]*

## Recession has finally hit microwave market

**Sales were predicted to reach 5 million units in 1982, it is now uncertain whether they will reach 1981 levels**

Remember the story of Casey at the bat? Casey, star batter of the Mudville team, had a chance to win the baseball game for his team with a home run in the ninth inning. The fans and his teammates were confident Casey would come through, because he had won so many games in the past. But on this particular day, mighty Casey struck out.

Well, the microwave oven is somewhat like Casey. Until very recently, microwave ovens have been the lone bright spot in an otherwise bleak appliance market. In 1981, for example, microwave-oven factory shipments increased 20 percent, to 4.3 million units. Meanwhile shipments of most other appliance categories were down in 1981, some significantly. But the continued decline in the economy, with both high interest rates and high unemployment, has shown that not even the microwave oven is recession-proof.

And while sales and shipments of microwave ovens are expected to pick-up in the second half, it remains to be seen whether sales will reach 1981 levels by the end of the year.

The uncertain economic atmosphere has made it difficult for industry forecasters to predict microwave-oven sales. A year ago, a number of manufacturers had predicted that 1982 would be the first five-million-unit year in the microwave-oven business. It won't be.

The recession has had a devastating effect on all appliance sales. According to one appliance manufacturer, only the housing industry and the automobile industry have been more adversely affected by the recession.

The economic problems facing the industry are two-fold: the decline in the housing market has had a detrimental effect on the appliance market; and a decline in consumer confidence has altered the replacement cycle of most appliances.

Consumers aren't replacing their old appliances — they're fixing them. And (as in the case of microwave ovens) they are not as likely as in previous years to spend their discretionary dollars on an appliance that may be perceived as a convenience rather than a necessity.

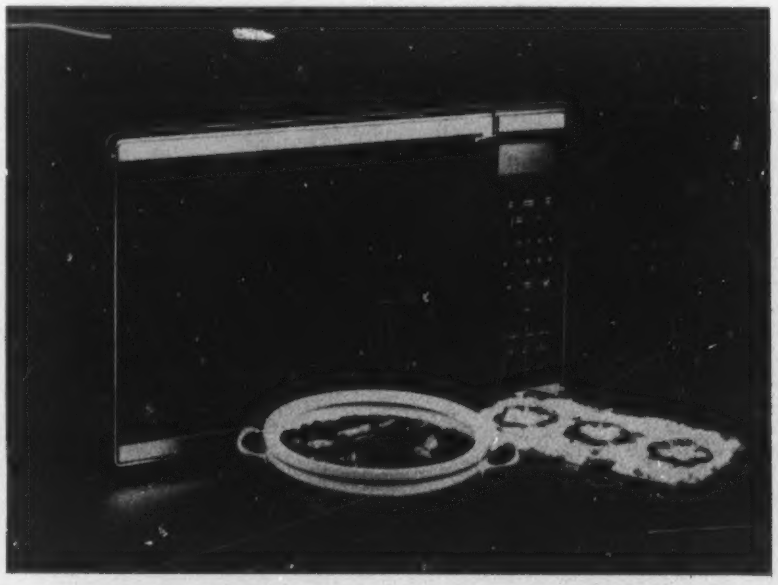
But, marketing experts in the appliance industry believe, the negative impact of the recession is only temporary. Pent-up demand will swell sales of microwave ovens when the recession ends.

The nagging question for manufacturers and retailers alike is — when will the recession end?

While sales and shipments of some appliances will lag behind as housing completions catch up to new housing starts, microwave-oven sales can be expected to grow at accelerated rates as soon as consumer spending picks up.

One thing is for sure: no other major appliance better fits the emerging lifestyles of the 1980s than the microwave oven. If any appliance product increases in sales in the next year, it will be the microwave.

*[Continued on page 16]*



Dual Wave Jet 230 countertop microwave by **General Electric** is designed to cook food more evenly from the bottom as well as the top. **Write in 394.**

# Sales of gas grills and accessories approaching 'mass-market' proportions

*[Continued from page 5]*

With an average price paid per unit now somewhere in the $200 range, gas grills and grill accessories have become a $400 million business.

The grill business has historically amounted to more than 10 million units a year. Over the years the vast majority of these sales have been charcoal grills. But recently the proportion of gas grills in the total mix has increased.

According to the Barbecue Industry Assn., in 1980 gas grills accounted for more than 13 percent of the total grill market in unit volumes, and more than 50 percent of the dollar volumes in the barbecue grill industry. About three out of four U.S. households (more than 60 million households) own some barbecue equipment.

In one sense, the gas grill market is primarily a replacement market. Though it is estimated that only 10 percent of all gas grill customers are replacing a gas grill, nearly all gas grill customers are replacing some kind of a charcoal grill or hibachi.

The vast majority of first-time gas grill purchasers are graduates from a charcoal grill of some kind. These are customers who know something about outdoor cooking, and are looking to escape the mess, the expense, and the inconsistency of charcoal barbecuing.

Within the gas grill market there are three distinct pricing tiers.

Promotionally-priced gas grills (generally single burner models with relatively few features), are positioned in the marketplace as a small step-up from a good quality charcoal grill. These units are most often found in discount stores at price points around $100, although prices on such models can run from as low as $79 or less, to $129 or higher.

The second tier of the gas-grill business is the mid-line. These are generally well-featured but not top-of-the-line models. They generally have two burners with variable controls and have larger cooking areas than the basic units. They may or may not have automatic ignition or shelves.

The key price points for the mid-line category are $149, $179, $199, and up to .$229 and $249. The majority of all gas-grill sales fall into this mid-line price category.

Private label and other mass merchandisers are the strongest factor in the marketplace in the mid-line category. But appliance stores, cooking specialty stores, and home centers are also strong factors in the mid-line business.

The third tier is the high-end models — more than $250. These units can run as high as $1,000 or more, generally deluxe featured, richly appointed with trim and shelves. Many have built-in carts, and often thermostats, windows, and other top-end touches.

The high-end of the market, although not a large proportion of the business in unit volumes, does contribute a large part of the dollar volume. These high-end units are sold primarily through mass merchandisers, appliance stores, and department stores — that is, outlets with trained sales personnel.

Gas grills currently have market saturation of around 10 percent, a point at which most major appliances have traditionally experienced a rapid and dramatic acceleration in sales and saturation.

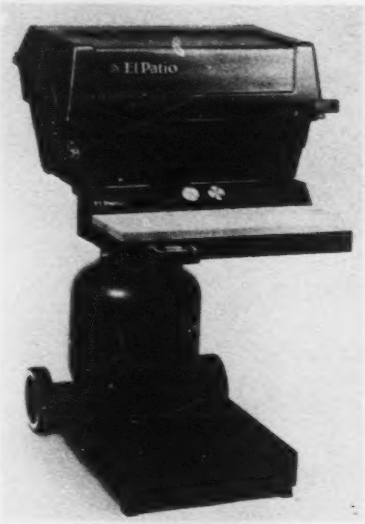
According to Tom Ogan, merchandising manager, Arkla Gas Grill Division, the typical gas-grill customer is no longer always in the 30- to 50-year age group. And while total household income of gas-grill purchasers is rather high, there are more less-affluent consumers purchasing gas grills today than ever before. Purchasers can come from any level on the economic ladder, Ogan said.

In addition to a broadening of the consumer base, the gas-grill business is becoming somewhat less seasonal, as well. While sales are still strongest in May, June, July, and August, in today's market there is a definite preseason sales period, and sales continue longer into the year.

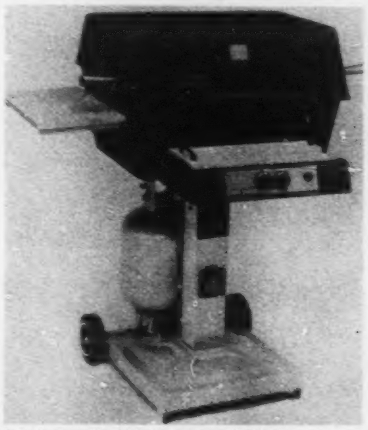
Gene McGuire, vice president of marketing of Charmglow, told MART that the gas grill market is less seasonal than it used to be. Charmglow has lengthened its sales season with a retail promotion run in conjunction with the National Football League.

"In addition to our NFL promotion, we find that sales are getting stronger at Thanksgiving and Christmas," McGuire said. "Dealers who order early to take advantage of pre-season discounts receive their merchandise early. Once the dealers have the merchandise on hand, they figure, 'why not promote it.' Many retailers are finding that Thanksgiving is a strong sales season; that a gas grill makes a great gift for the man or woman who has everything. We now have product in a number of leading Christmas gift catalog."

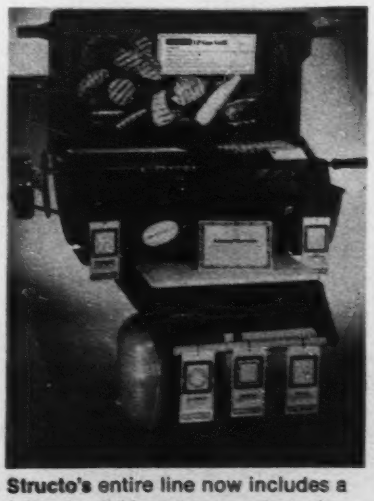
However, holiday gift sales are not the only reason for an expansion of sales year-round. The growing number of replacement sales in the market is



**El Patio's** top-end gas grill features electronic monitoring of temperature and level of gas. **Write in 395.**



**Sunbeam's** Grillmaster 9492 dual-burner deluxe gas grill features a 562-sq.-in. cooking area. **Write in 396.**



**Structo's** entire line now includes a full-color lid insert, warranty and benefit tags. **Write in 397.**

COMPACT UNDER COUNTER
(5 Cubic Ft.) REFRIGERATOR

$199

RETAIL white. $10. extra in walnut

This stylish under-counter refrigerator is a full five cubic feet with a walnut grained work top. It has a large across-the-top freezer and a deluxe crisper. Available in both white and walnut. Dimensions - 33" high, 19-3/4" wide, 22-3/4" deep.

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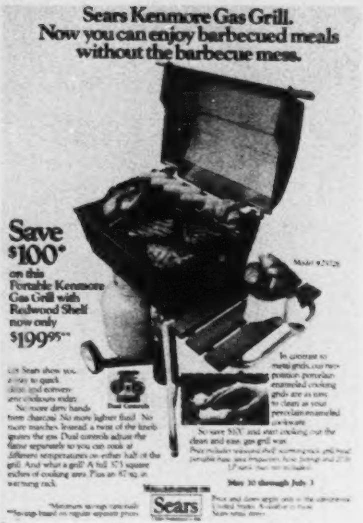
Write in 104.

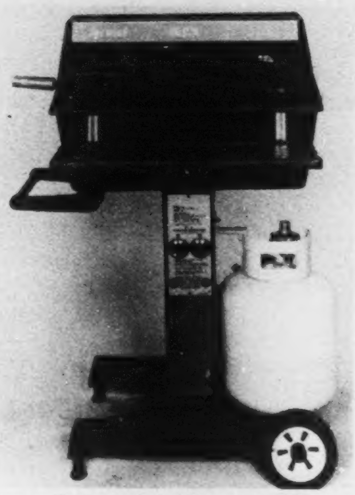


Sears Kenmore Gas Grill.
Now you can enjoy barbecued meals without the barbecue mess.

Save $100* on this Portable Kenmore Gas Grill with Redwood Shelf now only $199.95**

Sears

Sears recently advertised a $100 savings on a portable gas grill. Price of purchase included redwood shelf, warming rack, briquettes.



**Jacuzzi's** top-of-the-line gas grill, model 4020, features 40,000 Btu's and a 485-sq.-in. cooking area. **Write in 398.**

**Maverick's** model ME3050 electric grill has a cooking area of 251 sq. in. The cooking surface features two adjustable grills. **Write in 399.**

**Charmglow's** top-of-the-line model 924J gas grill is mounted in a redwood cart. Includes a glass viewing window. **Write in 400.**

another reason.

Replacement customers know the capabilities of a gas grill, and generally buy a better model than the unit they are replacing.

According to Dale Bard, director of marketing for Falcon Manufacturing, the second-time gas-grill purchaser is becoming a larger factor in the business, and a likely candidate for a top-end grill. The effect of the increase in replacement sales, Bard said, is that the season has been appreciably lengthened on both ends.

The growth in the number of replacement sales is also having an effect on the average price paid per unit. Industry estimates range up to $190 per unit, with all manufactuers agreeing that the average price per unit is increasing as product mix improves.

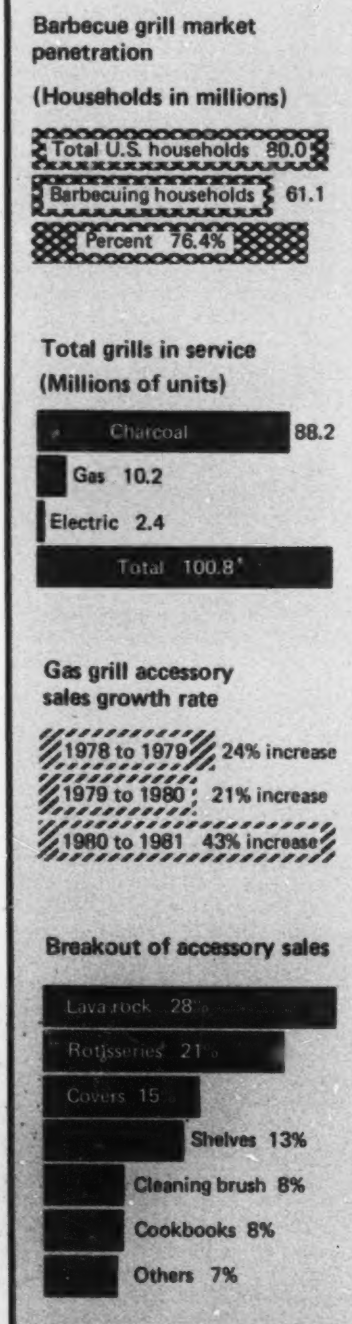
The business is reportedly strong in all areas of the country. Somewhat surprisingly, sales are stronger in the northeast and midwest than in the sunbelt areas. Manufacturers explain that a gas grill can extend the barbecue season in cold climates. People who would never think of using a charcoal grill in bad weather are not at all reluctant to fire up the gas grill on a winter day.

Manufacturers also report that intend-to-buy surveys reveal snow-belt areas will continue to outgain other areas of the country.

What is the health of the business? Considering the tough economic times, the gas-grill business is doing remarkably well. In fact, with ranges and microwave ovens suffering through "off" years, the argument can be made that gas grills are the fastest-growing cooking appliance in the industry.

The industry is further bolstered by an increase in gas-grill accessory sales. More than 10 percent of the dollar volumes in the business are for such profitable add-on items as lava rocks, rotisseries, shelves, and grill covers.

Despite the economy, sales and shipments of gas grills were up in the first half of 1982. Some manufacturers report dramatic sales increases in the first half. Others had less dramatic increases, but increases nontheless. The industry consensus is that by year-end, the gas grill industry will be ahead by 8 to 12 percent from last year's 1.6 million units. And 1983 will be the industry's first 2 million unit year. ■ **John Foster**
Senior Editor



**Barbecue grill market penetration**

**(Households in millions)**

**Total grills in service**
**(Millions of units)**

**Gas grill accessory sales growth rate**

**Breakout of accessory sales**

***Average number of grills per barbecuing family=1.65**

**Source: Barbecue Industry Assn.**

THE NEW HARDWICK 3800.
THE ONLY GAS GRILL WITH AN ADJUSTABLE-HEIGHT COOKING GRATE.

Model LA3830K0T

PLUS MORE PROFITS WITH BAKER'S DOZEN AND ADVERTISING SUPPORT.

Hardwick introduces a new gas grill with an exclusive feature that people will want. It's a front-mounted crank that lets them bake, roast, broil or sear to suit their taste.

Along with all the features you'd expect in a fine twin burner grill, the 3800 also offers a heat indicator, hardwood work shelves, an extra-deep tub and an accurate gas gauge on LP models. And it can be ordered with a portable cart, a sturdy patio base or permanent post.

So let the Hardwick 3800 increase your profits. Order today from your Hardwick Division Sales Manager and ask about our special Baker's Dozen.

A Hardwick exclusive! The easy-to-use crank can raise or lower the cooking grate 3 3/4".

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**Write in 105.**

September 1982

# MART

The Retailer's Magazine of Electronics/Appliance Profit Improvement

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Ayse Kenmore of Liberty Music & Video, New York City

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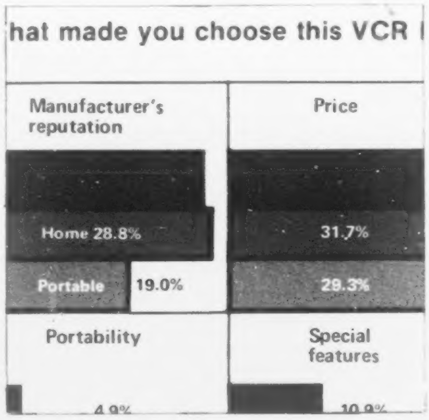
## CONSUMER ELECTRONICS



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# CONSUMER ELECTRONICS

MART
SEPTEMBER 1982

## 'Price Wars' new game entry for this fall?

**A glut of new video games could put pressure on pricing during the fall/Christmas period**

First there was TV Tennis, then Space Invaders, Asteroids, and Pac-Man. And now, the newest game on the video market: **Price Wars.**

Guaranteed *not* to be as popular as its predecessors, "Price Wars" could nonetheless be *the* game hanging over every dealer's head as early as this Christmas.

"Price Wars?" Just look at the facts. The hottest category at last June's Consumer Electronics Show, the video-game sector boasted one of the longest new-supplier lists since manufacturers discovered pre-recorded video tape.

With most of that game production coming on line in anticipation of a juicy Christmas season, retailers could be faced with a surfeit of legit titles, knock-offs, price points, and suppliers from which to choose.

Game manufacturers cannot offer retailers much help at this point. Most said they would wait for a market shake-out to remedy the category's congestion. However, suppliers admit, having so many firms distributing competitive versions of similar titles could lead to game buyers' mistaking one game and price point for another.

What could also happen is that manufacturers might target their advertising to both create brand awareness and educate the consumer to prefer quality games.

According to Michael Katz, Coleco vice president "Some retailers are dealing on sharp margins for video games; they are using the games as loss-leaders. I've also heard about retailers promoting the hardware to build traffic as well, advertising Atari hardware for

*[Continued on page 15]*

## Phone dealers urged to buy cordless now

Telephone retailers who have only conservatively ordered or stocked cordless telephones may find it difficult to obtain more later this fall when consumer demand is sure to exceed supply, warn telephone suppliers.

Greater consumer awareness, especially with increased Christmas advertising, will be one of the reasons for heightened demand. Already most of the manufacturers MART interviewed have stepped up or revised production schedules in anticipation of the surge.

At present, most manufacturers are producing cordless phones at full capacity. Sales have exceeded expectations as much as 230 to 300 percent this year, manufacturers told MART. And, if more cordless phones could possibly be produced, more would be sold for sure, all suppliers agreed. As one supplier put it, "With tears in our eyes we're losing what we could have sold."

"The cordless phone business is a hot balloon for all of us," said Roy Mulhall, vice president and general manager of

*[Continued on page 27]*

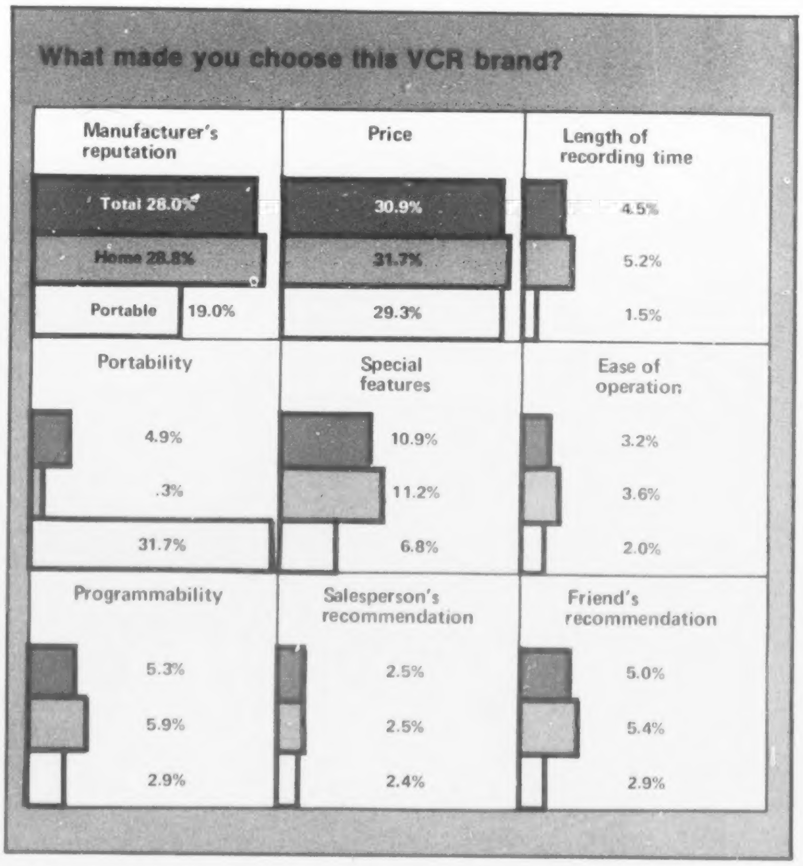
## VCR survey: how and why they buy

In today's economy, price is coming more to the forefront in consumers' buying decisions, according to MART's fifth annual survey of VCR purchasers.

Of the 1,600 VCR owners who responded to our survey in July, more than 30 percent said price was the determining factor in their buying decision; 28 percent said the manufacturer's reputation was most critical.

Last year, by comparison, roughly 22 percent of the survey respondents chose their VCRs based on price, while the suppliers' reputation was most important to 29 percent of those VCR owners.

For more information on how these consumers bought their video cassette recorders, where they bought them, and what they use them for—as well as the outlook on what they plan to buy—see MART's exclusive consumer VCR survey on page 23. ■



## Color-TV sales still strong; price pressures build

**Dealers are less apt to carry heavy inventories these days, according to TV manufacturers**

Color-television manufacturers are still predicting industry sales of 11-million sets for this year, as they face the final quarter of 1982.

At the same time, however, industry executives pointed to a price-pressure build-up as well as to dealers relying more on manufacturers and distributors to carry inventory for them as factors in determining the year's success.

Arnold Valencia, president of RCA Sales Corp., for example, pointed out that "one of the pleasant surprises is that color TV continues at a very strong level."

Valencia added, however, that he notes a lot of pressure by dealers for distributors to carry their inventories. Factory and distributor inventories are about 10 to 11 percent higher than last year, he feels.

Valencia added that the remote-control color-TV business has been running higher as a percent of total sales than last year. On the other hand, the projection-TV business is down, and he does not believe the industry will hit its earlier estimates for the category. He sees projection-TV sales this year at around 120,000 units for the industry.

Mike McDavitt, general manager, marketing, for General Electric's television division, also has revised his projection-TV forecasts downward.

"We had earlier said that 150,000 projection sets would be sold this year," he told MART. "Now we feel the total will probably be lower than 118,000 units — and it could be as low as 100,000."

McDavitt feels the recession has definitely had an effect on projection sales: "People are simply reluctant to put that much money down for a product in this kind of economy."

Color television, on the other hand, is "the most stable part of the business right now," according to McDavitt.

Charles Daigneault, executive vice president of Sharp Electronic Corp.'s consumer electronics operation, described color-TV set sales as "good," but profits as "lousy." He complained that manufacturers have been over-building, hence the build-up in inventories, followed by price pressure.

"I don't know the exact figures, but we probably have a production level of 15 to 16 million color-TV sets a year, but we are selling at a rate of only 11.5 million," said Daigneault.

"Everybody, however, is building to a percentage of the 15 to 16 million sets, and everybody is trying to move their merchandise as fast as possible. Yet, some producers have cut back production somewhat. If manufacturers can keep production down, then business will get back to a profitable basis," he contended.

Robert O'Neil, executive vice president of Hitachi Sales Corp. of America, called color TV a "shining star for us at this point.

"The industry is talking 11 million color TV sets this year," O'Neal said. "It's a strange recessionary environment we are in. Color TV has been impervious to the economic problem: It's been running with the best averages of the past two or three years.

"If you were to ask me," O'Neil continued, "what is the safest way to go in electronics business in the next 12 to 18 months or two years, I'd say color TV.

"I have more projectability and more confidence in color TV's performance than I do in the video cassette recorder's because color is more stable; it is a more projectable business than VCR," O'Neil stressed.

Ed Adis, vice president-sales for Sony Consumer Products, observed that Sony is "ahead in color-TV sales so far this year, over a record-breaking 1981."

*[Continued on page 22]*

# How and why consumers buy a VCR

*The video business has been as little affected by the current recession as any consumer-electronics product category. But what impact has the sluggish economy had on consumer buying patterns for one of the higher-end video products, the video cassette recorder?*

*To find out, MART surveyed known purchasers of eight video-recorder brands, asking them how and why they bought the VCR they currently owned, and what related products they plan to buy in the future. More than 1,600 VCR owners returned our questionnaire.*

*The answers to this fifth annual MART consumer VCR survey offer insights into buying decisions and future purchasing intentions which can help retailers to plan their merchandising of both video recorders and other video products and accessories as well.*

*With the growth of portable VCRs as a factor in the market, this year for the first time MART broke out the survey respondents between purchasers of home VCR decks and portables; some interesting differences in buying patterns between the two emerged.*

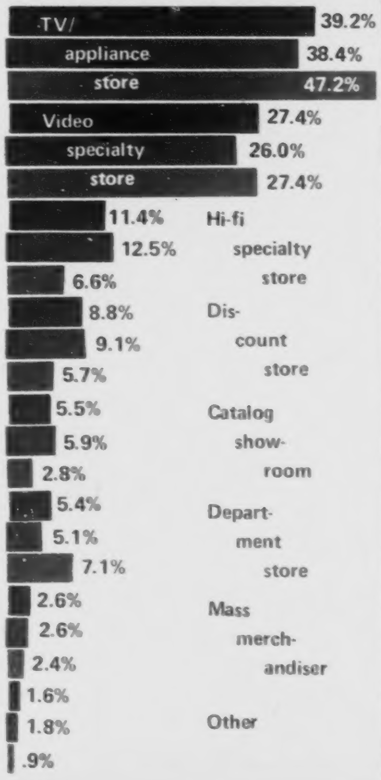
*Also, to allow us to ask more in-depth questions about these consumers' purchase and use of video products, this year's questionnaire was expanded, and the results will be presented in two parts. This month, details of the video-hardware questions are given on the next three pages; results of the video-software survey questions will be included in MART's exclusive video software guide in October.*

Video specialty stores are picking up a larger share of today's video-cassette-recorder business, with most of their increase coming at the expense of traditional TV/appliance outlets, according to MART's 1982 VCR survey.

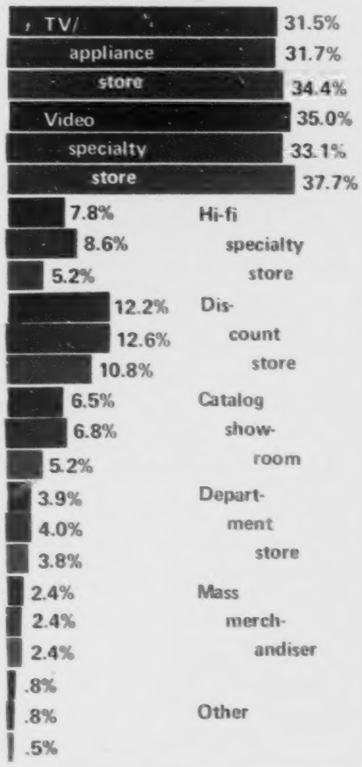
At the same time, this year's 1,600 survey respondents indicated, VCR customers are paying more attention to price when they buy: while in last year's survey only 22.1 percent of the respondents said price was their number-one reason for buying a particular brand, with 29 percent picking the manufacturer's reputation as most important, this year price was the prime consideration for nearly 31 percent of these VCR owners. Manufacturer's reputation ranked second among this year's group, with 28 percent pegging it as most important.

This year's survey showed a sharp drop in the number of VCR owners who said they bought their units at TV/appliance stores: last year this type of outlet was well in front, with 48.3 percent of the 1981 survey respondents having purchased their VCRs in TV/appliance stores. This year, while still on top, the TV/appliance outlet's share of the market dropped to 39.2 percent.

**Where did you buy your VCR?**



**If you were to buy a new VCR today where would you most likely buy it?**



■ TOTAL ■ HOME ■ PORTABLE

**What type of VCR did you buy?**

| | |
|---|---|
| Home deck | 82.7% |
| Portable | 13.5 |
| Both | 3.9 |

**Considering your knowledge of video recording at this time, would you buy a VCR again?**

| | Total | Home | Portable |
|---|---|---|---|
| Yes | 98.1% | 98.2% | 98.6% |
| No | 1.9 | 1.8 | 1.4 |

**Would you buy the same brand of VCR again?**

| | Total | Home | Portable |
|---|---|---|---|
| Yes | 90.4% | 90.0% | 91.3% |
| No | 9.6 | 10.0 | 8.7 |

**When you bought the VCR, did the salesperson attempt to sell you tapes or a camera?**

| | Total | Home | Portable |
|---|---|---|---|
| Yes | 29.5% | 25.7% | 50.0% |
| No | 70.5 | 74.3 | 50.0 |

**How many times did you visit the store before buying the VCR?**

| | Total | Home | Portable |
|---|---|---|---|
| 1 | 28.0% | | |
| 2 | 30.1 | 28.4% | 28.4% |
| 3 | 14.9 | 29.5 | 35.1 |
| 4 | 4.2 | 14.6 | 12.4 |
| 5 | 2.8 | 3.7 | 5.7 |
| 6 | 1.7 | 3.0 | 1.5 |
| 7 or more | 4.5 | 4.6 | 5.1 |

**How many other stores did you shop in before buying your VCR?**

| | Total | Home | Portable |
|---|---|---|---|
| 0 | 20.7% | 21.4% | 15.9% |
| 1 | 7.9 | 7.9 | 8.7 |
| 2 | 16.0 | 16.4 | 15.4 |
| 3 | 17.4 | 17.5 | 16.4 |
| 4 | 12.0 | 12.3 | 12.8 |
| 5 | 10.6 | 10.0 | 14.4 |
| 6 | 5.9 | 5.7 | 5.6 |
| 7 or more | 9.5 | 8.9 | 10.3 |

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# CONSUMER SURVEY

# VIDEO RECORDERS

[Continued from page 23]

And these consumers' responses indicate, the video specialty store may be getting an even larger share of the VCR business in the future. When asked "If you were to buy a *new* VCR today, where would you most likely buy it?" video specialty stores soared right to the top, with 35 percent of the 1,600 respondents saying they would take this option. TV/appliance stores, by comparison, were named by only 31.5 percent of these VCR owners as the place where they would most likely buy again.

What types of video recorders did these consumers purchase? Just under 83 percent of our survey respondents had home VCR decks, while 13.5 percent had purchased portable video recorders (and, interestingly, another 3.9 percent turned out to have bought both).

And, despite current economic limitations, most of these consumers made their buying decisions relatively quickly. More than 20 percent bought the VCR in the first store they visited; another 23.9 percent shopped at only one or two other stores before purchasing the VCR. (The portable VCR owners, however, indicated they did more shopping around, with nearly 30 percent saying they had visited three or four stores in addition to the one they bought at.)

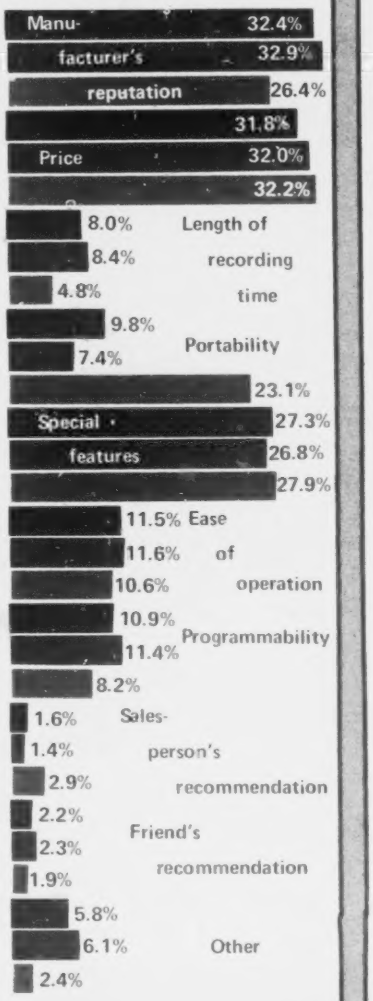
Once they picked out a store, these owners also bought pretty quickly: 28 percent bought their VCR on their first visit to the store, while another 30.1 percent bought the unit on their second visit.

By and large, these VCR owners are extremely happy with the units they've purchased. More than 98 percent said they would buy a VCR again, given their current knowledge of the product, with portable and home-deck owners just about equally satisified with their products. More than 90 percent said they would buy the same brand again.

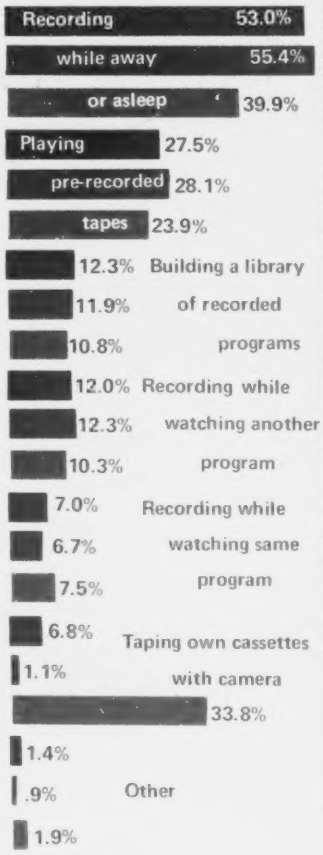
About the product in general, these consumers commented, "I enjoy the freedom it gives the TV viewer to view what he wants at his convenience," "It takes a great deal of use (or abuse) from my six-year-old son and has been working very well," "Because of my VCR I have cancelled my cable service, since I can now watch what I want when I want from the majors and public network," and "It is a real wonder and I just love it. Keep on making them forever!"

The 9.6 percent of VCR owners who said they would not buy the same brand again generally cited service problems they have had with their current units, or special features lacking from their previous VCR supplier as the reason for their dissatisfaction. And, perhaps indicative of a growing level of consumer awareness about the category, one VCR owner commented, "I would buy the same brand again if the price were the same as for other name brands. All VCRs are made by just a few manufacturers in Japan, and all brands in a given format are basically the same."

**If you were to buy a new VCR, how would you choose the brand?**



**What is your primary use of the VCR?**



**Do you currently own a video disc player?**

| | Total | Home | Portable |
|---|---|---|---|
| Yes | 2.1% | 2.0% | 1.9% |
| No | 97.9 | 98.0 | 98.1 |

**If not, do you plan to buy a video disc player?**

| | Total | Home | Portable |
|---|---|---|---|
| Yes, in 6 mos. | .2% | .1% | .5% |
| Yes, in 12 mos. | .7 | .8 | .5 |
| Yes, in 18 mos. | 2.4 | 2.4 | 2.1 |
| Do not plan to buy | 96.7 | 96.7 | 96.8 |

**Do you plan to buy a new color TV set to use with your VCR?**

| | Total | Home | Portable |
|---|---|---|---|
| Yes, in 6 mos. | 4.4% | 4.0% | 5.3% |
| Yes, in 12 mos. | 4.7 | 4.6 | 4.9 |
| Yes, in 18 mos. | 7.7 | 7.8 | 6.8 |
| Already purchased | 2.9 | 3.1 | 2.4 |
| Do not plan to buy | 80.3 | 80.6 | 80.6 |

**Have you purchased a camera for your VCR?**

| | Total | Home | Portable |
|---|---|---|---|
| Yes | 15.1% | 3.1% | 66.8% |
| No | 84.9 | 96.9 | 33.2 |

**If you don't own a video camera now, do you plan to buy one?**

| | Total | Home | Portable |
|---|---|---|---|
| Yes, within 6 months | 3.2% | 2.8% | 7.9% |
| Yes, within 12 months | 13.8 | 12.9 | 30.2 |
| Yes, within 18 months | 22.1 | 21.6 | 28.6 |
| Do not plan to buy | 60.8 | 62.7 | 30.2 |

**What kind of camera did you buy?**

| | Total | Home | Portable |
|---|---|---|---|
| Color | 95.2% | 76.3% | 98.5% |
| Black-and-white | 4.8 | 23.7 | 1.5 |

**If so, did you buy it at the same time or after you bought the VCR?**

| | Total | Home | Portable |
|---|---|---|---|
| Same time | 62.2% | 25.6% | 77.3% |
| After | 37.8 | 74.4 | 22.7 |

█ TOTAL ▇ HOME ▒ PORTABLE

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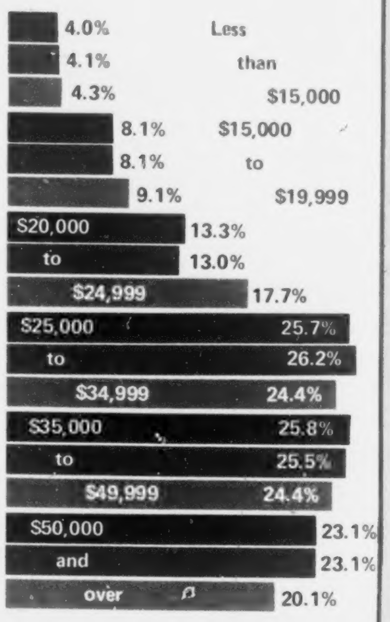
What is your total household income?



**What is your marital status?**

| | Total | Home | Portable |
|---|---|---|---|
| Married | 73.3% | 71.5% | 81.3% |
| Single | 19.6 | 21.4 | 13.1 |
| Widowed | 1.2 | 1.3 | .5 |
| Separated | .6 | .4 | .9 |
| Divorced | 5.3 | 5.4 | 4.2 |

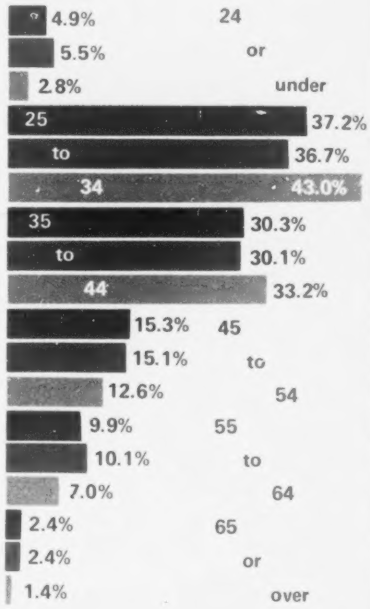
**How many persons are in your household?**

| | Total | Home | Portable |
|---|---|---|---|
| 1 | 13.2% | 13.9% | 9.8% |
| 2 | 34.3 | 35.1 | 29.4 |
| 3 | 19.6 | 19.1 | 23.8 |
| 4 | 22.2 | 21.9 | 22.4 |
| 5 | 7.3 | 6.7 | 11.2 |
| 6 | 2.5 | 2.6 | 1.9 |
| 7 | .4 | .3 | .9 |
| 8 or more | .5 | .4 | .5 |

**What is the highest level of school you completed?**

| | Total | Home | Portable |
|---|---|---|---|
| 8th grade or less | .6% | .7% | .5% |
| Some high school | 3.0 | 3.3 | 1.9 |
| High school graduate | 20.8 | 20.5 | 24.3 |
| Some college | 28.0 | 28.6 | 23.8 |
| College graduate | 25.5 | 23.7 | 21.0 |
| Post-graduate work | 24.7 | 23.2 | 28.5 |

Into which age category do you fall?



■ TOTAL ■ HOME ▨ PORTABLE

*[Continued from page 24]*

Whatever the consumer's reason for choosing a particular VCR brand, once that decision was made the salesperson in the store did little to encourage that customer toward additional purchases. Only 29.5 percent of these 1,600 VCR owners said the salesperson made any attempt to sell them additional video tapes—either blank or pre-recorded—or a video camera at the time of the VCR purchase.

However, one of sharpest diversities between portable and home-deck owners turned up here. That 29.5 percent is a weighted total of all VCR owners in the survey. Broken down by type of machine, though, fully 50 percent of the portable-VCR purchasers said some attempt was made to encourage an add-on sale, most probably of a video camera. (And, in fact, 66.8 percent of the portable-VCR owners said they had purchased a camera as well, most of them at the same time they bought the video recorder.)

Among the home-deck purchasers, however, only 25.7 percent said the salesperson attempted to sell them tapes and a camera, and only 3.1 percent of these home-unit owners have in fact purchased a video camera for their VCRs.

Of those survey respondents who did buy a camera, 25.6 percent of the home-deck owners and 77.3 percent of the portable owners said they bought the camera at the same time as the video recorder; the rest of the survey respondents came back for the camera later.

Of those video-cassette recorder owners who do not currently own a video camera, 62.7 percent of the home-deck owners and 30.2 percent of the portable owners said they do not plan to buy one. Another 15.7 percent of the home-deck owners and 38.1 percent of the portable owners said they plan to purchase a camera within the next 12 months, however.

The time-shift function remains the most consumer's popular use for a video cassette recorder, according to MART's 1982 survey, although playing pre-recorded tapes is gaining fast.

In this year's survey, 53 percent of the total VCR ownership said recording while away from home or asleep was their most common use of the video recorder (among portable-VCR owners, however, only 39.9 percent picked this as their most common usage).

Playing pre-recorded tapes was cited as the most common usage by 27.5 percent of these VCR owners; in last year's survey, by comparison, only 20.3 percent of the respondents picked playing pre-recorded software as their primary usage.

More than 12 percent of the total ownership picked building a library of recorded programs as their most common use of the product, while a similar number said they most often recorded one program while watching another, and another 7 percent said they most commonly recorded a program while watching it.

The biggest diversity among portable and home-deck VCR owners came, not surprisingly, in their usage of the product to tape their own programs with a video camera. Only 6.8 percent of the total survey respondents picked this as their most common usage; for the portable owners, however, this was the primary usage of more than one-third.

Of this group of 1,600 video recorder owners, only 2.1 percent said they currently own a video disc player as well. Less than one percent of them said they plan to buy a disc player in the next 12 months, while another 2.4 percent said they will probably buy a video disc player within 18 months.

And what about future buying plans for color television sets? Slightly less than 3 percent of these VCR owners said they have already bought a new color set to use with their VCRs. Nearly 10 percent more said they plan to buy a new color TV set within the next year, while another 7.7 percent said they expect to buy a new color model in the next 18 months.

What do these consumer attitudes and responses mean to the video retailer?

First, the continuing gain by pre-recorded cassettes as a primary usage of the video recorder indicates once again that retailers who are not selling video software along with the video hardware should seriously consider doing so. (This statistic also provides more ammunition for the right-to-tape forces, indicating that more and more consumers are buying these machines to watch pre-recorded programming rather than to tape off the air.)

This growing interest in pre-recorded programming also could be a shot in the arm for retailers selling video disc players, as it points to an increasing enthusiasm for the kind of program material the disc can offer as well as if not better than the video recorder.

MART's buying-decision statistics also indicate that the economy is turning more and more consumers back in the direction of price as a determining factor in a major purchase, at least as long as money remains tight.

Finally, it indicates that, even though money is still tight, these generally young, affluent consumers have not taken themselves out of the market for other video products following their VCR purchase. Their announced interest in accessories such as a video camera, as well as in a new color-TV purchase, could be translated into plus business for the retailer who follows up on his or her list of past VCR customers. ■

**Cathy Ciccolella**
Editor-in-chief

*What are these 1,600 VCR owners doing about buying and renting video software and what are their future software purchasing intentions? To find out, read the second installment of MART's exclusive fifth annual consumer VCR survey, appearing in next month's special Video Software Guide.*

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# MAJOR APPLIANCES

MART
SEPTEMBER 1982

## Catalogs offer little that's new in appliances

Fashion may get the cover treatment, but plenty of appliance offerings are present to lure the catalog shopper in the new winter books from the leading national merchandisers.

Microwave ovens continue in the starring role, receiving heavy attention in all the catalogs. Most of the product developments are in this appliance category.

In fact, most appliance categories offer relatively few new product features. Even pricing is not so different in the new books. Some upward drift still exists, but to a much lesser extent than in the past several editions, and some reductions can be noted. The slackening in the product-development and pricing pace undoubtedly is a reflection of the recessionary sales climate, from which even the big national merchandisers are not immune.

Leading off the major-appliance section in the fall/winter catalog from Sears, Roebuck and Co. is a micro/convection oven at $789.95. Pictured under the heading, "the innovative quality of Kenmore," the "Sears Best" unit features "exclusive new dehydration capability. . .functions for three types of cooking (including) micro/convection for the best of both (and) 25 preprogrammed recipes. . ."

Also new in Sears' microwave lineup — which has been expanded to 15

*[Continued on page 34]*

## Lower prices for housewares in fall catalogs

Electric housewares, both private-label and national-branded, are heavily represented in the new fall/winter catalogs from the nation's giant retailers.

Assortments are similar to those carried in the spring/summer books from Aldens, Montgomery Ward, J.C. Penney, Sears, Roebuck, and Spiegel, but a sprinkling of new items may be found. The rate of price increases seems to have slowed, and some price cuts even turn up, an indication that a sluggish economy has begun to erode the inflationary spiral.

Sears, holding fast to its private-label policy, highlights in a full-color page "The best of CounterCraft," its house brand. Included are a new 16-speed table mixer with micro-processor circuitry at $179.99. Of five other items, three are unchanged — a 12-cup coffeemaker at $49.99; a juice extractor, $64.99; and a seven-speed food processor, $79.99. A self-cleaning spray iron is $2 higher, at $31.99, and a 12-cup coffeemaker with 24-hour timer is reduced $5 to $49.99.

More extensive reductions are noted in convection ovens. On two low-end models, Sears has cut spring-book prices $30 on a .7-cu.-ft. leader model, now $89.98; and $40 on the step-up model, now $129.99. The top-of-line touch-control, continuous-clean model

*[Continued on page 35]*

## Kitchen-appliance business will recover in future with pent-up replacement sales

No longer a work area at the back of the house, the kitchen is becoming a family entertainment center. Kitchens were conceived by Whirlpool (left) and General Electric (right).

Things are tough in the major appliance industry. That's hardly news to industry insiders. But the fact is there aren't many businesses feeling the pinch quite as badly as the appliance industry.

Sales are off dramatically. According to the Assn. of Home Appliance Manufacturers (AHAM), first-half appliance factory shipments were down more than 18 percent across the board.

A key factor affecting appliance manufacturers has been the steep decline in the new-housing market. The rate of new housing construction is under one million units a year, down from two million units or more in normal economic times.

Probably just as significant to the industry has been the apparent decline in kitchen remodeling. Consumers are not only not buying houses, they're not making any major purchases. With interest rates at super-high levels, few consumers are making major expenditures for kitchen remodeling projects.

Sales and shipments of refrigerators, dishwashers, compactors, ranges, and disposers are down dramatically from 1981 levels. But manufacturers remain optimistic that many appliance sales have been postponed rather than cancelled.

When the economy finally turns around (eventually it will), and when consumer spending picks up, there will be a slight pick up in sales from a pent-up demand for some appliances — replacement purchases postponed because of the economy.

But the replacement cycle of a number of appliances has been disturbed, and some sales have been lost. Recovery will be slow and gradual, as the industry reverts to its normal replacement cycle.

What is the outlook for the appliance industry? Sales are expected to pick-up in the second half. But for the most part, manufacturers do not expect the industry to reach 1981 sales and shipment levels.

Until recently (as recently as April or May), manufacturers had expressed optimism that 1982 would reach 1981 sales levels. But according to John Platts, chairman of Whirlpool Corp., industry shipments will be off by 4 to 6 percent at year's end.

AHAM has projected year-end shipments of the nine major appliance categories will reach 28.7 million units, down from 30.5 million units in 1981, 30.3 million in 1980, and 33.2 million in 1979. Actually, the second half of the year should compare favorably with

*[Continued on page 30]*

### Major appliance factory shipments: trends and forecasts

(Millions of units)

| | 1981 | 1982 (est) | 1983 (est) |
|---|---|---|---|
| Room air conditioners | 3.693 | 3.510 | 3.700 |
| Dehumidifiers | .536 | .554 | .600 |
| Dishwashers | 2.484 | 2.169 | 2.416 |
| Disposers | 3.194 | 2.845 | 3.050 |
| Compactors | .191 | .167 | .197 |
| Refrigerators | 4.944 | 4.694 | 5.020 |
| Freezers | 1.605 | 1.423 | 1.504 |
| Electric ranges | 2.328 | 2.018 | 2.330 |
| Microwave ovens/ranges | 4.422 | 4.440 | 4.699 |
| Washers | 4.365 | 4.248 | 4.350 |
| Dryers | 2.977 | 2.856 | 3.003 |
| Total | 30.482 | 28.694 | 30.619 |

Source: AHAM

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# Major Appliances

# Long-term recovery is expected for the kitchen-appliance industry

### A healthy future is predicted on replacement sales alone

*[Continued from page 29]*

1981, because sales and shipments were weak last year.

For the longer term, AHAM is predicting that 30.6 million units will be shipped in 1983, with slight increases projected in all categories.

What are the trends in the kitchen? As the cost of housing and its financing remains high, homes are being designed and built smaller. Interior walls are being removed throughout the house, creating the feeling of wide-open, airy spaces in a limited floor plan.

Often these large living spaces are open out to the kitchen area. Or looking at it another way, the kitchen is becoming more of a living area in the contemporary home.

As lifestyles grow more relaxed, fewer homeowners are using formal dining areas. More elaborate eating areas are being built into the kitchen.

With two-income families becoming the norm rather than the exception in modern society, meal time and meal preparation time is one of the few times of day when the family gets together.

No longer a work area at the back of the house, the kitchen is becoming a family entertainment area. More homes have televisions or stereo equipment in the kitchen than ever before. And the home-of-the-future may include a computer in the kitchen.

While the total number of new housing units is down, the biggest decline has been in single-family detached housing. Most recent construction has been apartment-type units and condominiums — and these housing units have smaller kitchens than average. Implicit with small kitchens are smaller appliances and working spaces.

Condominiums and apartments are apt to be equipped with small cooking appliances and refrigerators but standard-size dishwashers. Because countertop workspace is so precious, microwave ovens are likely to be in combination configurations or installed over the range using the G.E. Spacemaker or the Littonaire as an example. A number of manufacturers offer microwave shelves that install in the same space as a range hood. Any model of countertop microwave oven can be used with these shelves, without tying up valuable counterspace.

Manufacturers are keeping a close eye on the down-sizing trend. So far, however, down-sizing has not been apparent in the replacement market for single family households. Replacement customers, for the most part, are step-up customers. They buy units with more features than the models they are replacing, often units with larger capacities than the units they are replacing. In most cases, outside dimensions rather than interior capacity determine the size of replacement appliance purchases.

But replacement sales made during a recession are not typical. And with increased consumer emphasis on energy usage, many consumers are looking for smaller-capacity appliances to cut energy usage. Today's consumer knows and understands the concept of energy-saving payback, and many are willing to pay a bit of a premium for a unit that will save money over the life of the appliance.

Manufacturers also note that there has been an overall scaling down of the features on the average kitchen appliance.

As lifestyles grow more relaxed, fewer homeowners are using formal dining areas. More elaborate eating areas are being built into the kitchen, such as this one by Magic Chef.

The key to recovery in the kitchen appliance business is a return to lower interest rates which would allow a return to a normal cycle of home-building.

New households are being formed every day. It is estimated that more than two million units of housing a year will be needed just to keep up with new household formations. And every year the production of close to two million new homes adds to the growing housing shortage. This demand will eventually have to be met.

A decline in interest rates would also have a positive affect on the kitchen remodeling business. Retail sales would pick up as well. And an increase in consumer spending levels would not only increase the number of units sold, but would increase the feature level and have a positive affect on the average price paid per unit.

Recovery will be slow throughout the entire economy but especially the appliance industry. In fact, because appliance installation is among the final stages of home construction, the benefits of an upturn in housing would not be felt in the appliance business for a year or more.

Long term, however, the industry has a healthy future based on normal replacement cycles alone. New household formations are frosting on the cake.

## Refrigerators

The replacement market for refrigerators insures sales of at least 4 million units a year. Market saturation for refrigerators is more than 105 percent. Upwards of 88 million refrigerators are in use in the 80 million or so U.S. homes. Every household has at least one refrigerator, and many have two or more. Manufacturers estimate that more than 80 percent of all refrigerator sales today are replacements.

But during the current recession, replacement sales have been about all the industry has been able to count on. The new home market and the kitchen remodeling market have all but dried up. So while the recession continues, refrigerator sales limp along at a 4-million-unit-a-year rate rather than the 6-million-plus units experienced in healthier economic times.

Replacement sales have held up well, however. Since repairs on refrigerators tend to be quite costly, and most consumers are reluctant to put $100 or more into a unit that is probably 10 years old or older, consumers are more likely to buy a new refrigerator.

And for the most part, replacement customers tend to step up to full-featured models.

Until the last year or two, refrigerator-replacement customers traditionally bought slightly larger units than the units they were replacing. But that trend may no longer be true.

Historically, manufacturers have been able to increase interior capacities by use of more efficient but less bulky insulation materials. Today there is no way to increase interior capacity without also affecting outside dimensions.

In addition, consumers are now looking for more efficient appliances. And smaller refrigerators are perceived as using less energy than the larger ones.

Also, today's families tend to be smaller than in past years, thereby not needing a large capacity refrigerator. In today's market, many consumers are buying deluxe 14- and 16-cu.-ft. models.

A slight decline in the proportion of side-by-side refrigerators has occurred in the industry mix. Manufacturers attribute the drop to the decline in new housing. About 75 percent of all industry unit sales are new top mounts. About 15 percent are side-by-sides. Three to 5 percent are bottom mounts, and the remainder are single-door models.

There has also been recent growth in the market for compact refrigerators. There are two distinct markets for compacts, and both are growing. There has been an increase in condominium and apartment installations where space is a limiting factor. And there has been an increase in the number of people who buy a compact as a second refrigerator.

In the first half of the year refrigerator factory shipments were down by 18 percent from 1981 levels. Sales will improve in the second half, but year-end totals will fall short of 1981 by a fairly wide margin.

## Ranges

The key word in the cooking-appliance business is "versatility." Consumers are looking for products that will do more than bake, broil, and boil. And manufacturers have responded with an almost unlimited combination of units that will barbecue, fry, cook with convected heat, or cook by induction. There has been more innovation in cooking appliances in the last few years than any other appliance product category.

The housing slump has hurt range sales more than any other appliance category. And the slump in kitchen remodeling has added a double whammy. Unit shipments of both gas and electric ranges are down significantly in 1982.

In the first half, electric range shipments were down 24 percent at a rate that would fall below two million units a year. Gas range shipments were down 10 percent at an annual rate of less than 1.5 million units. This is the fourth straight year of shipment decline since 1978.

Market saturation of gas and electric ranges is more than 95 percent. But with few moving parts, the life cycle of ranges is much longer than for most appliances. It is also cheaper and easier to replace a surface unit or two than to replace an entire range. There is evidence (from manufacturer parts sales) that consumers are currently repairing rather than replacing a large number of ranges.

Electric ranges continue to outsell gas ranges by an ever widening margin. And free-standing ranges continue to increase as a proportion of sales while built-ins decline.

The popularity of countertop microwave ovens is having a carry-over effect in the full-size range market. Manufacturers are predicting that microwave combination ranges will continue to be the fastest growing cooking appliance over the next few years.

When interest rates come down, there will be an increase in kitchen remodeling and new home construction. One manufacturer has estimated that up to 5 million kitchens a year will be remodeled during the next few years. And pent-up demand (those consumers who have replaced surface units), will bolster replacement sales of ranges.

## Microwaves

Forget the theory that the microwave oven is recession-proof. Sales and shipments in the first half were down by about 13 percent. Hopes that 1982 would be the first 5-million-unit year have been dashed. Hopefully, 1982 will be the second 4-million-unit year.

Manufacturers are confident that by the end of the year, sales and shipments of microwave ovens will equal or slightly better the 1981 total. They point out that the second half of 1981 was weak, and traditionally 60 percent of all sales are made in the second half.

Sales of microwave ovens now surpass both gas and electric ranges combined.

The microwave market has grown to "mass market" proportions. Saturation, currently approximating 25 percent, is expected to eventually reach 60 percent or more.

Growth is now fastest in mid-line models — units from $300 to $450. The proportion of top-end sales is declining but unit sales are holding steady and dollar volumes are up. And there has been an increase in sales of units under $300.

The microwave oven business has spawned a large and profitable add-on business in microwave cookware and accessories. Retailers report that it is not unusual to increase microwave sales by 25 percent or more by selling up to $100 worth of accessories to microwave oven customers. And gross margins are higher on accessories than on microwave ovens.

As the market grows, there has been a shift in where units are sold. Discount department stores and mass merchandisers are taking a larger share of the business. As customers realize that they can carry the unit with them, discounters are expected to capture an even larger share. Appliance dealers and specialty stores still get the majority of the profitable top-end sales.

The microwave oven will be relatively unaffected by an increase in new housing. But a decline in interest rates and an upturn in consumer spending will boost sales sharply.

The microwave oven is the ideal cooking appliance of the 1980s. It cooks quicker and cleaner than other cooking methods, and uses less energy. As more women enter the workforce, sales of microwave ovens are expected to grow even faster than they have in the past.

## Dishwashers

In the next few years dishwasher sales will show more growth than any other appliance category, except perhaps microwave ovens. Manufacturers are excited by the long-range sales forecasts for dishwashers, and market saturation, currently at about 40 percent, will eventually climb to 75 percent or higher.

But the short-term reality is not so encouraging.

Factory shipments of dishwashers were down nearly 24 percent in the first half of this year. Built-in-dishwasher sales and shipments were down 22 percent, at a rate that will fall short of 2 million units for the first time since 1975.

Portable-dishwasher sales have almost disappeared entirely: shipments in the first half were down 34 percent.

Manufacturers currently estimate that about half of all dishwasher sales today are replacement sales. As the number of replacement sales increases, appliance retailers will gain a larger share of the built-in business.

The average price paid for dishwashers continues to climb: the average price paid for a built-in dishwasher is now above $430.

Factory shipments of dishwashers are expected to improve in the years ahead. The combination of replacement sales and new household formations could boost sales to more than 5 million units a year in the next few years. ■

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# 1981 profits tough to get: NARDA survey

**Operating results by types of dealerships (percent comparison)**

| | Appliance/ electronics sales service | Appliance/ electronics sales only | Audio component stores | Furniture-only stores | Service-only firms | Video-tape renters |
|---|---|---|---|---|---|---|
| Sales | + 11.0% | + 6.0% | - 12.0% | + 9.0% | - 5.0% | + 42.0% |
| Gross margin | 25.3 | 22.4 | 27.3 | 42.6 | 54.6 | 36.3 |
| Expense ratio | 22.3 | 19.2 | 27.8 | 35.6 | 52.0 | 26.9 |
| Other income | 1.8 | .6 | 3.4 | 3.0 | .6 | — |
| Other expense | 3.1 | .8 | 3.8 | 5.9 | 1.2 | — |
| Net profit (before tax) | 1.7 | 3.0 | (.9) | 4.1 | 2.0 | 9.4 |

Source: NARDA

Hard-goods merchants had their hardest time in making a profit in 1981 than in any year during the past two decades, according to Jules Steinberg, NARDA's executive secretary.

Steinberg made the comment in analyzing the National Assn. of Retail Dealers of America "Cost-of-Doing-Business Survey" covering 1981.

"In fact," said Steinberg, the profit hardship was only exceeded in difficulty by the first half of 1982."

In releasing preliminary figures from the survey, he pointed out sales in all product categories with the exception of audio component stores were up from the previous year but the average across-the-board gains just about kept pace with inflation.

Appliance and home-electronics sales and service firms scored an 11-percent increase as opposed to those dealers without a service department, who were ahead by 6 percent, and furniture-only stores, ahead by 9 percent.

Audio component specialty dealers registered a 12-percent drop in sales, and "service only" outlets lagged about 5 percent behind last year's volume.

Of the six different types of dealers covered by the survey, video tape renters did the best with a 42 percent increase in business. "The video tape renters' increase was not surprising," said Steinberg, "in view of the 56 percent increase in video-recorder sales reported by merchants."

The association executive said these figures represented the computer tabulation of individual returns from 1610 members of NARDA's 1981 "Cost-of-Doing-Business" questionnaire.

The survey covers more than 30 different income and expense accounts for retailers. It shows that expenses as a percentage of sales were up for all groups.

Steinberg said the most encouraging of all the statistics was that sales-per-salesperson in all product categories were up over the previous year indicating better salesperson performance. He observed that this sales-per-salesperson increase could be because owner/managers reduced sales staff in 1982 and handled more sales themselves.

The survey shows that sales-per-salesperson for appliance/home electronics stores, which averaged $317,000 in 1980, climbed to $320,000 in 1981. ■

ART WEINBERG

**MART MONEY MAKER**

'If a manufacturer wants to be important to a retailer, he or she has to understand that retailer's business.

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*— Andrew Segal, Empire Scientific*

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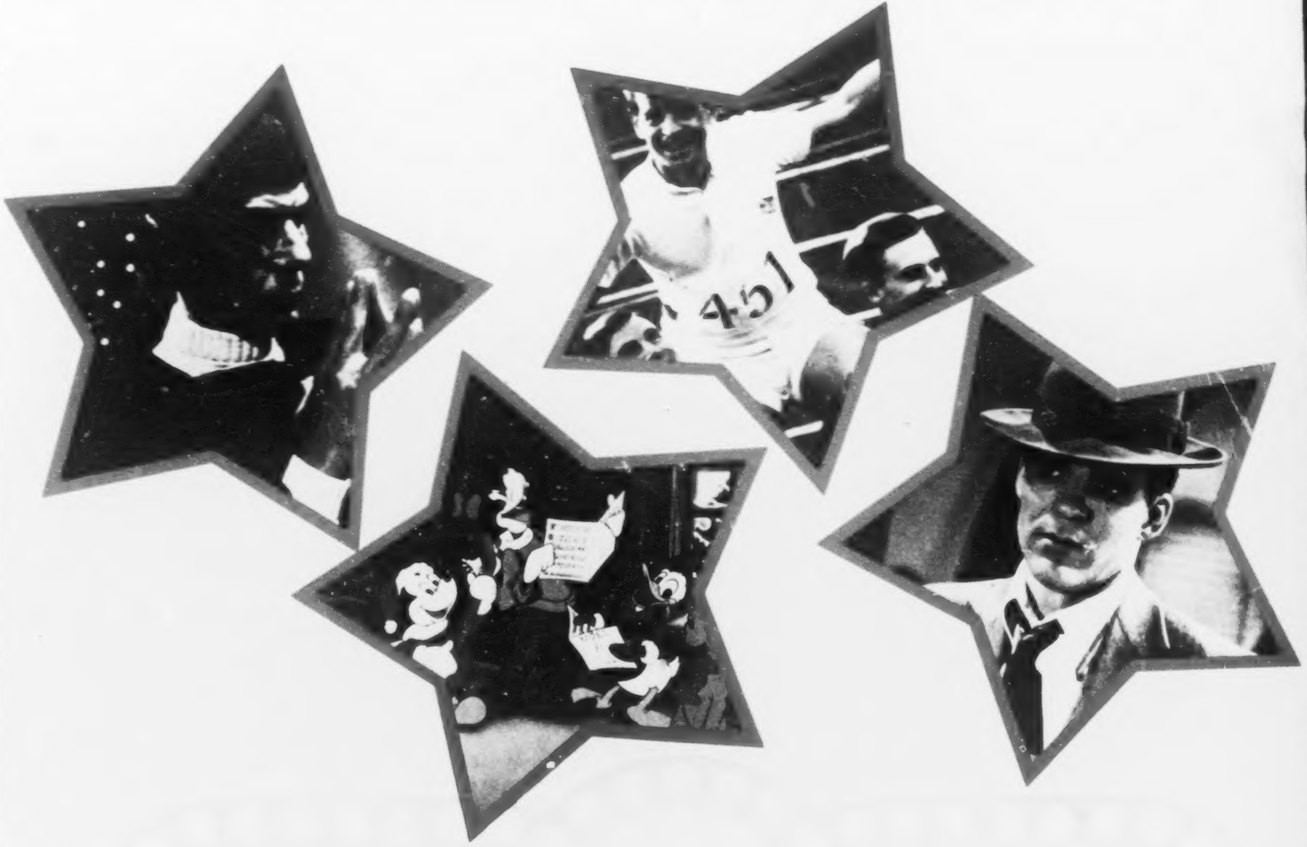

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# RETAIL MANAGEMENT

## NATM group owns Capehart trademark

The NATM Buying Corp. now has its own trademark: the electronics/appliance buying group recently purchased the Capehart trademark.

"NATM members will use the Capehart name on a wide variety of items, including appliances as well as electronics," commented Saul Gold, the group's executive director.

Acquisition of the brand name is a natural step in NATM's effort to secure merchandise exclusive to its members, according to Gold: "We are presently discussing private-label lines with various manufacturers with the intent to develop the Capehart name."

NATM members operate more than 400 stores in 29 states, and have a combined volume of more than $1 billion, Gold added. ■

## Larry Allen, Gateway TV, receives NARDA award

Larry Allen of Gateway TV, West Jefferson, NC, was presented the annual Bell Cow Award at the National Assn. of Retail Dealers of America's Institute of Management at Notre Dame University, South Bend, IN, recently.

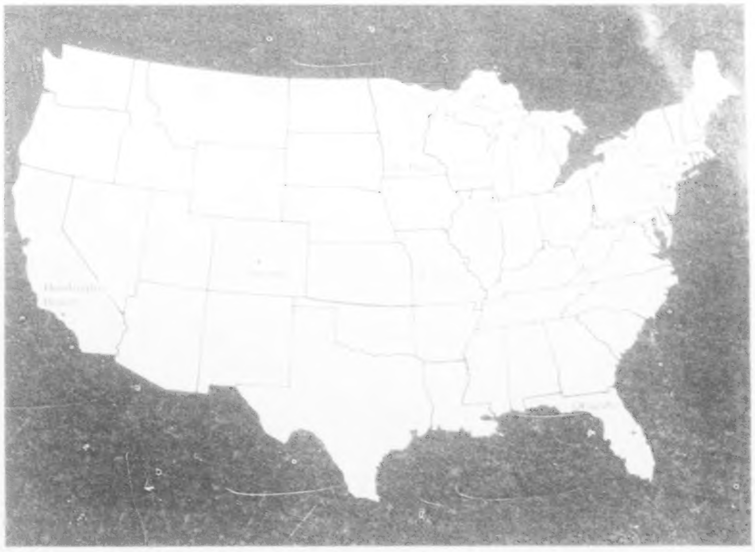
The award is given to dealers for the year's best merchandising innovation.

"We gave every customer who came in a hard-hat to help us get the merchandise off the third floor," he said. Allen described the event as a "tremendous success."

The promotion which won Allen the award was a "hard-hat sale" in which merchandise on the third floor of the store was put on sale. ■

## Laundry gains at retail

**Despite the economy, retailers say, their laundry sales have increased, and the next six months look good**



Having to do the laundry is a necessity in life. And, as long as people need to do the laundry and despair at having to go to a laundromat, washers and dryers probably will continue to bring appliance retailers a steady stream of business.

This year, in fact, despite the economy, retailers told MART that they have experienced sales gains in the laundry appliance area of their businesses of from 10 to 28 percent. One retailer even reported a 70 percent increase over the past year. And the sales outlook for the next six months looks healthy as well, with sales expected to increase between 10 and 30 percent.

Retailers told MART that consumers are buying middle-of-the-line laundry appliances this year in the popular price range of between $299 and $450 for washers, and between $249 and $399 for dryers. They're buying large-capacity, top-loading washers with such features as variable water-level controls and multiple speeds and cycles, and heavy-duty dryers which automatically shut off when clothes are dry and which have variable heat levels.

Some of the other trends MART spotted from interviews with retailers around the country are:

- Between 75 and 95 percent of laundry-appliance sales are replacement sales versus first-time purchases;
- There is a trend toward the sale of more compact laundry units in some areas of the country;
- Sales of matched sets are down for a majority of the washer-and-dryer retailers interviewed;

*[Continued on page 72]*

## Computer a valuable partner for New Jersey video specialist

**The system permits the store to track its rental program, studio licensing, inventories, and title movement**

Some people swear **at** their computers. Peter Gleason swears **by** his.

In business for four years, Gleason retail operations manager of The Video Center, Clifton, NJ, called his outfit the "oldest and largest video retailer in the area." The store stocks over $150,000 worth of tapes; runs a video rental program that fields a library of 4,000 tapes, 15 video cassette recorders, and six projection TV sets; and keeps track of the whole shebang with the aid of a computer.

Specially designed for the video retailer, Gleason told MART, his particular system was "pioneered with us by Computerized Business Assistance Corp. of New Jersey. It keeps track of our pre-recorded tapes, and assigns them various headings, such as drama, how-to, western, police, etc.

"Once the computer has all the information on a tape, it can sort it out on readout sheets and cross reference a title, as well. When we call up a selection, the computer can rate it into four different categories. It will also print a price readout for us, and even tell us where to keep it on our shelves."

Gleason's computer also tracks the current retail selling price on a title's, VHS or Beta version, and the average (dealer) cost on a new tape vs. one that's been on the shelf, as well as printing out the name of the supplier from which The Video Center purchased the title.

According to Gleason, who waxed enthusiastic over the cost savings the computer provided, using the system permits the store to track its rental program, studio licensing, and inventories in a way he couldn't have duplicated by relying on staffers and "intuition."

"As for monitoring our rental program," he explained, "the computer keeps track of how often a particular title goes out; how much we received for the rental; whether it went out for one, three, or seven days; and whether or not there was an overtime charge. At the end of a certain amount of time, we can call up this information, determine which tapes are good movers, and decide how many units of each title to keep, and how many to get rid of.

"The advantage we derive is an ability to track the movement of a title, see when it's starting to fade, and start selling off inventory while the film is still relatively hot.

"The computer also tracks who is renting what by customer name, and at

*[Continued on page 79]*

### Video dealers using computers to juggle inventory

**Peter Gleason of The Video Center, Clifton, NJ,** isn't the only video retailer relying on computers to keep his inventory straight.

**In the course of recent interviews,** MART discovered several dealers who used computers to keep on top of their businesses. Although none programs his or her system to assume as much responsibility as Gleason does, they did agree that for inventory control, in particular, their computers were invaluable additions to the business.

**Video Take Out, a North Hollywood, CA,** mail-order outfit, makes almost as extensive use of its computer system as The Video Center. According to General Manager Celeste Dolan, the software-only company 'keeps its inventory on computer, and our ordering is plugged right into it. We keep our mailing lists on computer as well.'

In business for 2½ years, Video Take Out has used computers, at least for its mailings, for 1½ years.

**The six-store Videoland chain in Dallas, TX,** has also been using a computer to keep its inventories accurate. The four-year-old operation sells both video hardware and software, runs a rental club, and promotes video games. With 1,500 pre-recorded video-tape titles, and a variable-time rental club, 'we need to use a computer to watch our inventory,' reported salesperson Pete Griffith.

**According to Gleason of The Video Center,** most retailers would need to carry pre-recorded tape inventories of 500 titles to justify the cost of a computer. Even so, many larger retailers who have considered taking on computers for one reason or another have opted to do without them.

**Paul Luskin of Luskin's High Fidelity, Hollywood, FL,** has been selling video products, beginning with television sets, since 1969. His nine stores moved 900 video cassette recorders in June alone. Plus, he sells video games, and offers customers a selection of pre-recorded software. He does not use a computer.

**'We don't use computers in the business,'** he told MART, 'although we would consider using them in the future. But right now, we're selling our inventory as fast as we can, turning it every 30 days, so putting it on computer doesn't seem practical yet.'

# Retail laundry business flourishes

[Continued from page 23]

- Prices are up from 2 to 10 percent over the past year.

"Consumers are not using all of the features of a top-of-the-line model anymore," said Floyd Donaldson, store manager, Sam Gordon's, Madison, NJ. "Now, they're buying middle-of-the-line laundry units," he added.

Washers that are selling at Sam Gordon's usually feature two speeds and an adjustable water level control. Ninety-nine percent of sales are top-loaders and 75 percent of sales are large capacity (18 lbs) washers, he added, noting that the most popular price point for a washer at Sam Gordon's is $429.95.

"And, when buying a dryer, the consumer is looking for the humidistat feature which automatically shuts off the dryer when clothes are dry. It's an energy-saving device that's very popular," said Donaldson. "Also, gas dryers sell three to one over electric. Popular price points are $369.95 for gas dryers and $329.95 for electric ones."

Sales of laundry appliances at Sam Gordon's are strong, reported Donaldson. "And, although 80 percent of sales are replacement sales, a lot of new construction in the area will increase sales of first-time purchases," he noted.

Ninety-five percent of sales are replacements at Townhouse TV & Appliances in Chicago, according to Mike Moore, Sr., president, "It used to be different," Moore explained. "There were two markets for laundry appliances — the 'need' and 'want' markets. Well, the 'want' market doesn't exist anymore.

"Now, sales come from consumers who absolutely need a washer or dryer. Many times, they'll service the ones that break down. And, if a dryer breaks many times it's not even replaced; they just hang their clothes out to dry instead.

"The market has lessened or become a lot smaller because of the economy — because a lot of people are out of work," he concluded.

Compact washer and dryer pairs have jumped from two or three sales a year to almost 20 to 25 per month in the past year-and-a-half at Sullivan Appliance & TV in Arvada, CO, reported Weldon Sullivan, owner.

Laundry appliance sales in general have been very strong for Sullivan's. Over the past year sales of regular washers and dryers are up over 70 percent, reported Sullivan, who noted that his summer sale and "jello jump," lower interest rates, and a general turnaround in the economy has helped boost business.

"Condominiums and townhouses are popular out here and because they are built small, they need the compacts — so we've seen some action in this area. It's become quite a trend," Sullivan noted.

There is definitely a need for compacts, added Jay Lebowitz, president, Mr. Jay Appliances & TV Inc., Williston Park, Long Island. "Plus," he added, "we'll probably see replacement sales of compacts from the condos that have been built here in the past five years."

Sales of regular-sized matched sets, however, are down for the majority of retailers MART interviewed.

"Sales of matched sets are not nearly what they used to be," said Robert Clements, sales manager, Claude Wolf TV & Appliances in Orlando, FL. "Dryers tend to outlast washers, so people replace the washers and make do with their dryers for as long as they last," Clements added.

Townhouse's Moore agrees; sales of matched sets used to be a much higher percentage of the business. "Sets used to account for 75 percent of our laundry appliance sales," he said. "Now, consumers just buy what needs to be replaced."

Jim Osterhaut, co-owner of Phil & Jim's in Huntington Beach, CA, how-

[Continued on page 73]

**MART MONEY MAKER**

'When buying a dryer, the consumer is looking for the humidistat feature which automatically shuts off the dryer when clothes are dry. It's an energy-saving device.'

— *Floyd Donaldson, Sam Gordon's*

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# Laundry sales spin along; price is a factor

*[Continued from page 24]*

ever, sees things differently. Overall sales are up 28 percent. Matched sets now consist of 60 percent of the laundry appliance business, which is up from 44 percent last year, said Osterhaut.

He attributes the increase in set sales to advertising. "We advertise washers and dryers as pairs in the newspapers and on TV at least three times a week."

In St. Louis, MO, however, Steve Mizerany, president of New Deal, is optimistic that the recession is bottoming out. "Business will pick up in the last quarter," he noted, adding that interest rates are coming down and the building trade is picking up.

"There's been a great push in housing, here," he noted. "All of the real estate agencies are holding open houses." He projected the sale of laundry appliances (90 percent of which are replacement sales) will increase about 10 percent in the next six months.

The number of condominiums that have sprung up in various areas of the country has also created a trend towards more compact washer and dryer sales, some retailers noted.

For example, at Bernies' TV & Appliances in Hartford, CT, sales of compact laundry units comprise about 25 percent of the store's laundry-appliance business, said Milton Rosenberg, president. "The number of condominiums in this area are growing and the trend towards compacts is very strong," he reported.

But, in St. Louis, Steve Mizerany, of New Deal, said whether appliances are matched doesn't matter; price does. "Our consumers buy the unit with the price tag which best fits their pockets," he added.

Pricing has definitely become a factor for consumers purchasing laundry appliances today, added Wendy Lawrence, manager, Watson TV & Appliance, St. Paul, MN. "Last year customers were buying higher-priced models because they felt they would last longer." Today they're buying what they can afford, she noted.

Sales have been fairly consistent over the past year, added lawrence, who noted that the popular price range for washers is now between $379 and $450 and for dryers between $289 and $329.

"No, they're not buying all the bells and whistles of the top-of-the-line anymore," added John Fisher, co-owner of Bill Fisher's Appliance Center in North Rockford, IL. "They're buying more medium-priced lines, such as washers in the range of $350 to $399 and dryers in the range of $299 and $349."

But sales have been extremely good, reported Fisher. "They haven't slowed down."

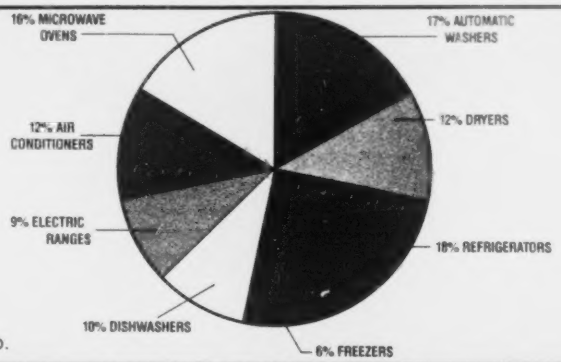
Sales are up about 10 percent at Mr. Jay Appliances as well, according to Lebowitz. He noted that a sale price in the $300 range brings in a lot of price-conscious customers. But, his actual selling price is between $350 and $365 for washers and between $279 and $300 for dryers.

Prices as well as sales are up about 10 percent at Bernie's TV & Appliances too. This year the majority of his washer sales lie in the $299 to $399 range; one-third in the $379 to $399 range; and 25 percent in the $339 to $379 range.

Rosenberg projects sales in the next six months should be even stronger. He anticipates at least another 10 to 20 percent sales increase. "I'm very bullish on the outlook of the laundry-appliance business. Laundry is a necessity and appliance sales will continue to grow. I'm sure there's a lot of pent-up business out there from people who have been making do." ■

**Peggy Odenbach**
Associate Editor

**Appliance industry product mix**



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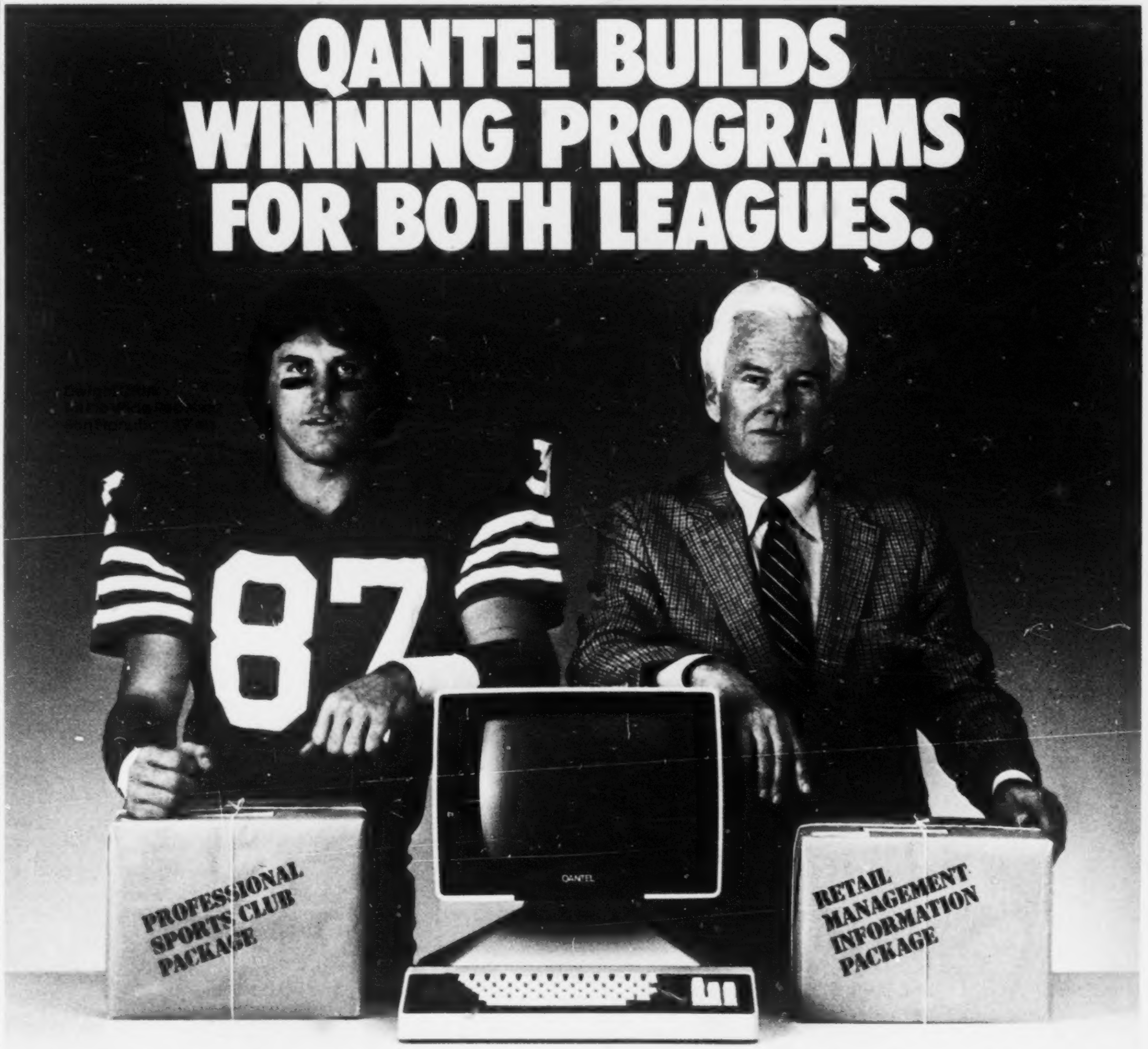
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# How and why consumers buy/rent video software

*Software — both blank and prerecorded — is becoming an increasingly important part of the video business.*

*As the in-use population of video cassette recorders grows, these VCR owners are continuing to buy blank tape to use their machines' recording capabilities, both with a camera and off the air. At the same time, the skyrocketing growth of varied programming available on video tape is leading these consumers to build libraries of titles they want to watch again and again, as well as to rent cassettes for an evening's entertainment.*

*And, as the video disc player begins to penetrate the consumer population, the video-disc market is developing into a lucrative profit source for video retailers.*

*What kinds of buying patterns have developed for video software? How strong is the rental vs. sale market? What types of video material are consumers most interested in?*

*To find out,* MART *surveyed 1,600 known VCR owners and asked them about their video-software habits, broken down by portable or deck usage (62 of the survey respondents own both a portable and a home VCR).*

*Of these 1,600 consumers, 2.1 percent own a video disc player as well, and were asked about their disc-buying patterns, too.*

*The answers to this fifth annual* MART *consumer video survey offer insights into software buying patterns that can help retailers plan their merchandising of video cassettes and discs. (The first half of this exclusive* MART *survey, covering video hardware, was presented in our September issue.)*

Consumers are buying more video software these days, despite an apparent lack of interest in merchandising software on the part of video-hardware salespeople, according to MART's exclusive 1982 video survey.

At the same time, this year's 1,600 survey respondents indicated, VCR owners are continuing to purchase

**Since owning your VCR, how many blank tapes have you purchased?**

| | Total | Home | Portable |
|---|---|---|---|
| None | 10.7% | 11.5% | 7.5% |
| 1 | 6.2 | 6.5 | 5.6 |
| 2 | 8.8 | 9.3 | 8.0 |
| 3 | 6.7 | 7.0 | 6.6 |
| 4 | 7.8 | 7.5 | 10.3 |
| 5 | 5.6 | 5.5 | 7.5 |
| 6 | 7.2 | 6.9 | 11.3 |
| 7 | 2.3 | 2.5 | 1.4 |
| 8 | 3.5 | 3.9 | 1.4 |
| 9 | 0.9 | 0.9 | 0.5 |
| 10 | 7.7 | 7.5 | 9.4 |
| 11-19 | 12.7 | 12.3 | 16.5 |
| 20-29 | 8.3 | 8.2 | 7.0 |
| 30-39 | 3.7 | 3.6 | 1.9 |
| 40-49 | 2.8 | 2.8 | 1.4 |
| 50-99 | 3.0 | 2.6 | 2.3 |
| 100 or more | 2.1 | 1.4 | 1.4 |

Average = 15

**Since owning your VCR, how many pre-recorded tapes have you purchased?**

| | Total | Home | Portable |
|---|---|---|---|
| None | 75.0% | 75.2% | 80.5% |
| 1 | 6.0 | 6.2 | 5.9 |
| 2 | 4.3 | 4.8 | 1.5 |
| 3 | 2.5 | 2.4 | 1.5 |
| 4 | 2.1 | 1.9 | 2.0 |
| 5 | 1.8 | 1.8 | 0.5 |
| 6 | 1.5 | 1.4 | 1.5 |
| 7 | 0.5 | 0.5 | 0.5 |
| 8 | 0.7 | 0.7 | 0.5 |
| 9 | 0.2 | 0.2 | 0 |
| 10 | 1.7 | 1.5 | 2.0 |
| 11-19 | 1.9 | 1.7 | 1.5 |
| 20 or more | 2.0 | 1.9 | 2.4 |

Average = 2.3

software — both blank and prerecorded — after taking their video recorders home, and more than two-thirds of them are renting pre-recorded programming as well.

Although only 29.5 percent of these consumers said the salesperson who sold them the VCR made any attempt to sell tape or a camera at the same time, more than half of them bought one or two blank cassettes along with the VCR. Another 20.9 percent bought from three to five blank tapes with their video cassette recorder, 8.5 percent bought from six to 10, and 4.7 bought more than 10 blank cassettes. (The average number of blank tapes bought with the VCR was 2.9. . .and that was with no encouragement from a salesperson in most cases.)

And these VCR owners are still buying. Since their VCR purchase, 35.1 percent of our survey respondents (most of whom purchased their video recorders within the past year) have bought from one to five additional blank tapes. Another 36.7 percent have purchased from six to 10 additional blank tapes, and 32.6 percent have bought more than 10.

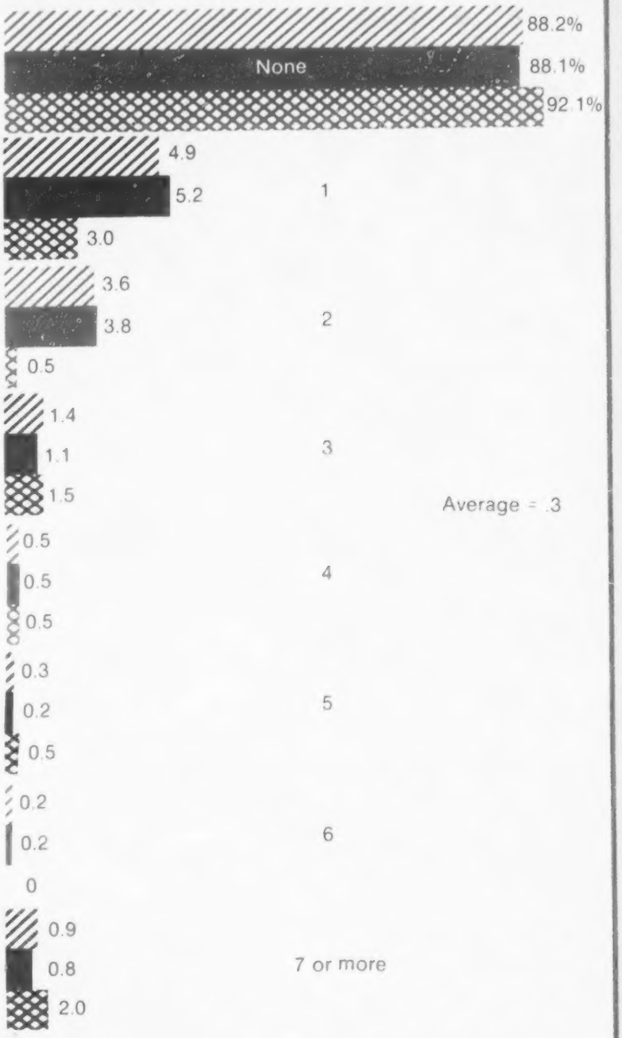
(Interestingly, 3 percent of these consumers have bought from 50 to 99 blank cassettes, and another 2.1 percent have purchased 100 or more. And, not surprisingly, the survey respondents who said they own both a home deck and a portable VCR lead the way in blank-tape buying: 14.8 percent of these dual-machine owners said they have purchased between 50 and 99 blank tapes, and 21.3 percent of them have bought more than 100.)

(In MART's 1981 VCR survey, by comparison, only 23.6 percent of the respondents had purchased from five to 10 blank tapes, although 31.9 percent said they had bought more than 10.)

This year, for the first time, our survey broke out buying patterns between home- and portable-VCR owners, and some divergence emerged in blank-tape purchases. The home-deck buyers tended to buy slightly more blank tapes at the time of the VCR purchase than did the portable-VCR owners; on the other hand, the portable owners have bought

*[Continued on page S-14]*

**At the time you bought your VCR, how many pre-recorded tapes did you buy?**



**Do you belong to a video-tape-rental club?**

| | Total | Home | Portable |
|---|---|---|---|
| Yes | 63.0% | 61.5% | 66.7% |
| No | 37.0 | 38.5 | 33.3 |

▨ Total ■ Home ▩ Portable

*[Continued from page S-13]*

more since owning their video recorders.

Branded software suppliers continue to dominate the blank-video-tape market, MART's survey indicates. Of these 1,600 VCR owners, only 18.1 percent said they generally buy the same brand of video tape as their video recorder.

The pre-recorded-video-tape market is also growing by leaps and bounds, as evidenced by the fact that 27.5 percent of these VCR owners said their primary use of the machine is playing pre-recorded material (compared to only 20.3 percent in MART's 1981 survey). And, obviously, owners of home VCR decks are buying more pre-recorded programming than portable-VCR owners, although the portable buyers are doing their share as well.

Buying pre-recorded cassettes seems to be an acquired taste, however: 88.1 percent of the home-deck owners and 92.1 percent of the portable owners said they did not buy any pre-recorded tapes at the time they bought the VCR. Of those consumers who did, 10.7 percent bought from one to five cassettes, and only 1.1 percent bought more than five.

After the VCR purchases, however, the pre-recorded-tape purchase became another story. While 75 percent of these VCR owners (80 percent in the case of the portable-VCR purchasers) said they have not bought any pre-recorded tapes, the 25 percent of the total who have bought them quite a few.

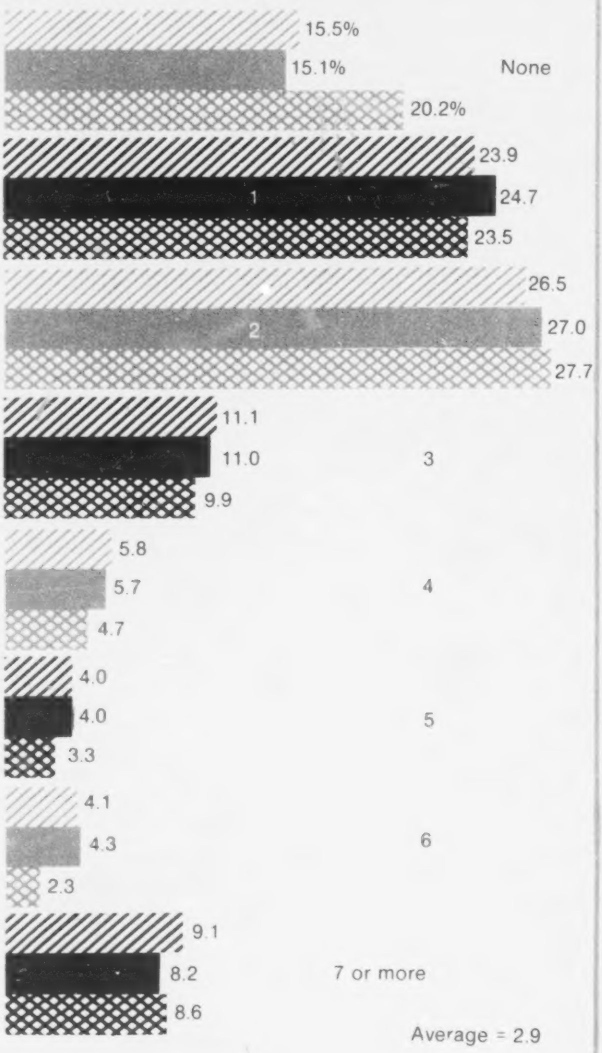
Slightly more than 17 percent of the home-deck owners have bought from one to five pre-recorded tapes since purchasing the VCR, and another 4.3 percent have bought from six to 10. Another 3.6 percent have purchased more than 10 pre-recorded cassettes.

But if only 25 percent of these 1,600 VCR owners are purchasing pre-recorded video cassettes, a lot more — 69.2 percent — are renting them.

Sixty-three percent of MART's survey respondents belong to a video-tape-rental club; the rest are renting on a piecemeal basis. And they are renting in considerable quantities; the average number of tapes rented per month by those consumers who said they do rent is 5.6.

*[Continued on page S-16]*

**At the time you bought your VCR, how many blank tapes did you buy?**



**When buying blank tape, what brand do you usually buy?**

| | Total | Home | Portable |
|---|---|---|---|
| Same brand as VCR | 18.1% | 18.3% | 11.7% |
| Another brand | 81.9 | 81.7 | 88.3 |

▨ **Total** ■ **Home** ▦ **Portable**

NEW! Christmas
$49.95
Six Classic Disney Christmas Cartoons on Videocassette
and a FREE 10-inch Mickey Mouse plush toy!
...A perfect Christmas Gift!

# Have yourself "A Walt Disney Christmas" and light up your Christmas SALES.

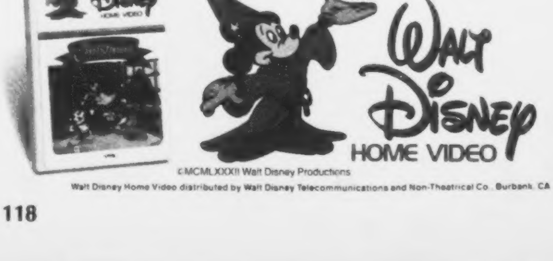
We've gone all out to make this new Disney Christmas promotion the biggest and best you've ever sold.

The Walt Disney Christmas promotion is what you've come to expect from Disney: a carefully conceived, innovative, self-contained merchandising system . . . easy to display and easy to sell.

**Here's "A Walt Disney Christmas" with all the trimmings:**

1. NEW PRODUCT:
   - A new 1982 version of "A Walt Disney Christmas," this time featuring **6** classic Disney Christmas cartoons on videocassette . . . with longer running time (46 Minutes) including two new cartoons: ON ICE and DONALD'S SNOW FIGHT.
   - A FREE 10-inch Mickey Mouse plush toy.
   - A totally new and redesigned gift package.
   - All for only $49.95. Suggested retail.
2. NEW POINT OF PURCHASE:
   - A real grabber! The beautiful new Christmas floor display is 71 inches tall and requires only 6.2 sq. ft. of floor space. It's easy to assemble too! Holds 16 videocassettes and Mickey Mouse plush toys in retail boxes.
   - Bright Christmasy poster. Perfect for wall or window.
   - Full-color handouts. 300 per display for your customers and club member mailings to promote the Christmas videocassette and FREE Mickey Mouse plush toy
3. NATIONAL CONSUMER ADVERTISING
4. STAND ALONE PROMOTION
   - "A Walt Disney Christmas" is a fully merchandised and self-contained promotion. And if you're not in the video business, it's a great way to start up with video software in your retail store.

Hurry! "A Walt Disney Christmas" 1982 is programmed to be the biggest selling videocassette of all time. So call your local authorized Disney distributor or this toll-free number:
**1-800-423-2259. In California, Alaska or Hawaii, call collect: 1-213-840-1859.**



©MCMLXXXII Walt Disney Productions

Walt Disney Home Video distributed by Walt Disney Telecommunications and Non-Theatrical Co., Burbank, CA

Write in 118

**Do you rent any pre-recorded tapes?**

| | Total | Home | Portable |
|---|---|---|---|
| Yes | 69.2% | 69.7% | 63.4% |
| No | 30.8 | 30.3 | 36.6 |

*[Continued from page S-14]*

Some consumers are renting a lot more than that each month: 22.7 percent of these VCR owners are renting from six to 10 cassettes monthly; another 7 percent say they rent from 11 to 19 a month. And 4 percent rent more than 20.

(Owners of home VCR decks are renting more pre-recorded tapes than portable-VCR owners, but the numbers are fairly close.)

The average overnight rental charge being paid by these consumers is $3, although they indicated a broad diversity in rental fees. More than 3 percent said they usually pay under a dollar to rent a tape for one night; another 15.9 percent pay from $1 to $1.99. Rentals of from $2 to $2.99 are paid by the largest share of these VCR owners, 30.6 percent, while the second most-often-paid rental charge, paid by 26.7 percent, is between $3 and $3.99.

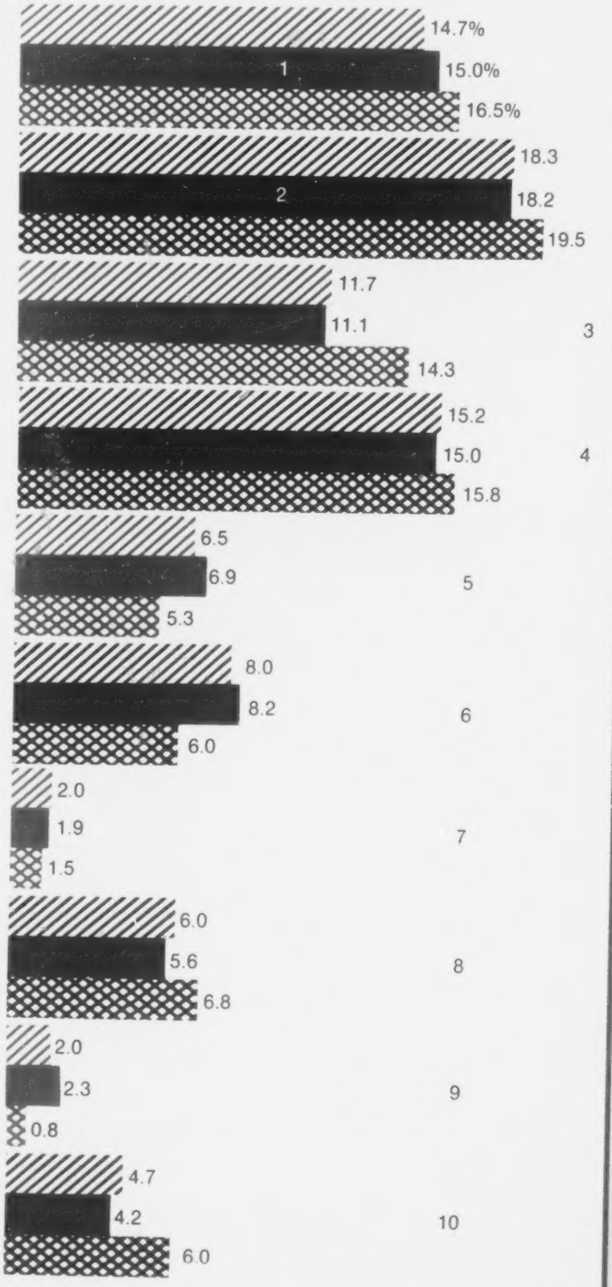
Just over 8 percent of these consumers pay from $4 to $4.99 to rent a tape for one night, another 10.2 percent pay between $5 and $5.99, and 4.6 percent pay $6 or more per night.

And what kind of programming are these consumers watching? Some interesting differences turn up between those who rent as well as buy cassettes and those who buy only.

Among those consumers answering our survey who both buy and rent video cassettes, current feature films were by far the most popular choice, with 58.8 percent picking that category as the type of programming they usually rent or buy. Movie classics came second for this group, with 16.3 percent saying they generally choose this type of material, followed by 13.8 percent who said they most often rent or buy X-rated material.

The consumers who said they never rent video tapes, but prefer to buy them,

**If you rent tapes, how many per month?**



Average = 5.58

▨ **Total** ■ **Home** ▩ **Portable**

**What do you usually pay per night to rent a tape?**

| | Total | Home | Portable |
|---|---|---|---|
| Under $1 | 3.6% | 3.2% | 4.6% |
| $1-1.99 | 15.9 | 15.4 | 19.1 |
| $2-2.99 | 30.6 | 31.5 | 23.0 |
| $3-3.99 | 26.7 | 27.3 | 24.5 |
| $4-4.99 | 8.2 | 7.7 | 13.0 |
| $5-5.99 | 10.2 | 10.9 | 7.6 |
| $6 or more | 4.6 | 4.1 | 8.4 |

Average = 3

**What type of pre-recorded programming do you usually rent or buy?**

| | |
|---|---|
| Current feature films | 56.3% |
| Movie classics | 16.3 |
| Children's programs | 6.8 |
| Sports | 1.6 |
| X-rated | 15.5 |
| Educational/instructional | 2.2 |
| Concerts | 0.3 |
| Foreign films | 0.3 |
| Other | 0.6 |

showed quite a different pattern. Among this group (only 30.8 percent of our total 1,600 respondents) X-rated programming came out on top, with 36.9 percent saying they usually buy this type of material. Current feature films were second, with 25.1 percent choosing them as their programming preference, followed by movie classics with 21.6 percent.

And what about the video-disc-player owners? They're buying a lot of software, too.

Of the 2.1 percent of our survey respondents who said they also own a video disc player (most bought within the past year), 29.8 percent have purchased between 10 and 19 discs since the player purchase. Another 26.6 percent said they have bought from five to nine discs, while 20 percent have bought from one to four.

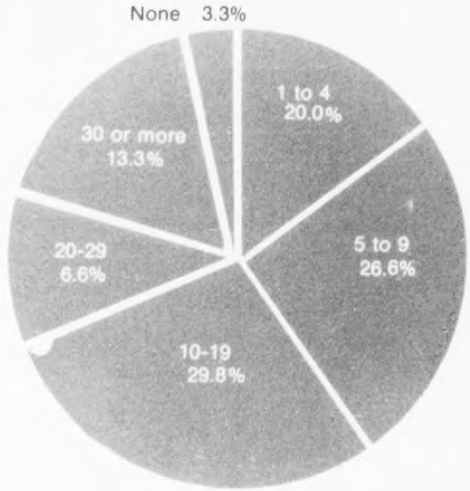
Twenty to 29 video discs have been purchased by 6.6 percent of these disc-player owners, while another 13.3 percent said they have bought 30 or more discs. Only 3.3 percent said they have not bought any.

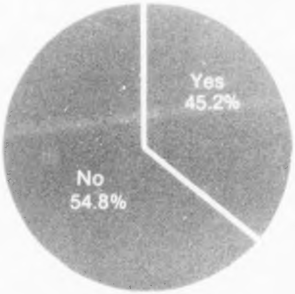
And, these consumers indicated, video-disc rentals are beginning to catch on as well: 45.2 percent of the disc-player owners said they have rented discs.

What does all this mean to the retailer? It means the video-software market is out there and growing, and that these generally young, affluent consumers

*[Continued on page S-18]*

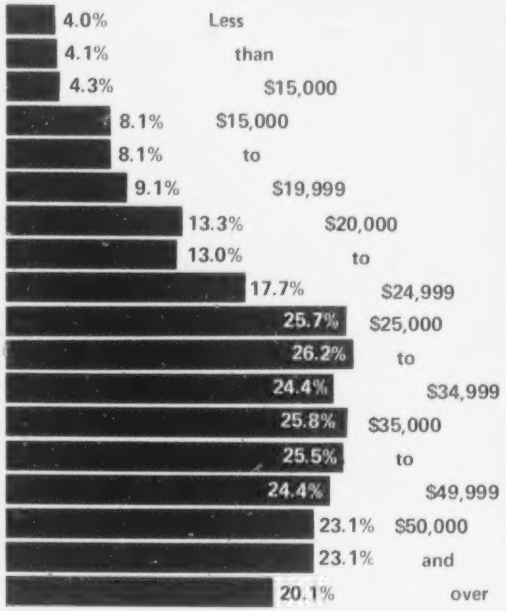
**If you own a video disc player, how many video discs have you purchased?**



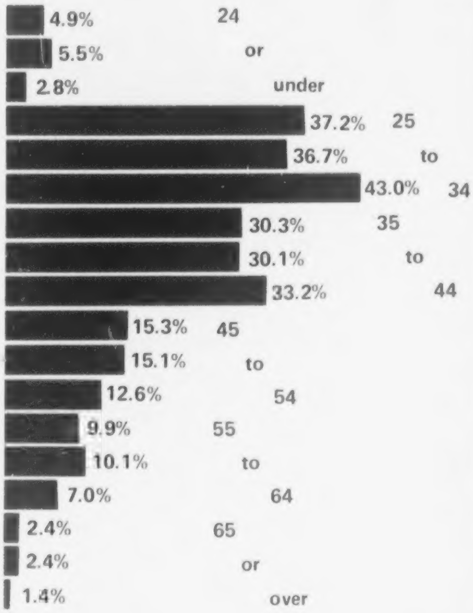


**If you own a video disc player, do you ever rent video discs?**

What is your total household income?



Into which age category do you fall?



*[Continued from page S-17]*

(48.9 percent reported a family income of $35,000 or more) are ready to keep on buying once they purchase their video cassette recorders.

It also means — which should come as no surprise to any dealer already in the software business — that rentals are the consumer's preferred way of sampling video software, and that these consumers are willing to rent a variety of programming over a range of price levels.

And it means that the fledgling videodisc business has the potential to produce strong software sales for the video retailer, based on consumer buying patterns already stronger than those for pre-recorded tape. ■

**Cathy Ciccolella**
Editor-in-Chief

**How many persons are in your household?**

| | Total | Home | Portable |
|---|---|---|---|
| 1 | 13.2% | 13.9% | 9.8% |
| 2 | 34.3 | 35.1 | 29.4 |
| 3 | 19.6 | 19.1 | 23.8 |
| 4 | 22.2 | 21.9 | 22.4 |
| 5 | 7.3 | 6.7 | 11.2 |
| 6 | 2.5 | 2.6 | 1.9 |
| 7 | .4 | .3 | .9 |
| 8 or more | .5 | .4 | .5 |

---

**What is the highest level of school you completed?**

| | Total | Home | Portable |
|---|---|---|---|
| 8th grade or less | .6% | .7% | .5% |
| Some high school | 3.0 | 3.3 | 1.9 |
| High school graduate | 20.8 | 20.5 | 24.3 |
| Some college | 28.0 | 28.6 | 23.8 |
| College graduate | 25.5 | 23.7 | 21.0 |
| Post-graduate work | 24.7 | 23.2 | 28.5 |

# MAJOR APPLIANCES

## Built-ins: sales bonanza at retail?

**A growing replacement market will help built-in appliances make gains throughout the '80s**

Built-in appliances represent a potential sales bonanza for retailers.

Manufacturers say that built-in dishwasher sales will be one of the fastest growing appliance categories over the next decade.

The built-in cooking-appliance market will also continue to expand. Drop-in ranges, built-in wall ovens, built-in microwave ovens, and versatile countertop cooking centers are all expected to expand in sales in the 1980s.

And the good news for retailers is that many of these built-in appliance sales will be replacement sales. More than half of the 2-million-plus built-in dishwashers shipped each year are replacements sales. Literally millions of built-in dishwashers installed in the housing boom years in the 1950s, 1960s, and early-1970s will be up for replacement in the next few years.

TAPPAN
CONVERTA-COOK
TAPPAN IS COOKING
THE CONVERTIBLE GRILL THAT GIVES YOU 2 WAYS TO VENT AND 1 BEAUTIFUL WAY TO CLEAN.
TAPPAN IS COOKING

Suppliers such as Tappan provide built-in displays. **Write in 319.**

Many of the cooking appliances installed in the last 25 years are being replaced as well as the kitchen remodeling market grows.

Many of the original appliances, installed by builders, were low-cost, low-end units. The replacement customer in most cases will be stepping up to full-featured if not top-of-the-line units.

And since the original units were installed by builders, it is likely that this will be the first dishwasher or cooking appliance that the consumer will have bought on his or her own in many years.

An appliance dealer who doesn't carry built-ins is forfeiting a growing number of replacement sales to kitchen remodelers, home center stores, and mass merchandising department stores. Even though built-in appliance sales are

*[Continued on page 82]*

## Home-laundry sales tumbling along

**Despite the economy, laundry units should keep expanding in sales over the next several years**

Replacement customers want as many features on new laundry models as their old units. This pair is by Whirlpool. **Write in 318.**

**Laundry appliance factory shipments (millions of units)**

| | 1979 | 1980 | 1981 | 1982 (est) | 1983 (est) |
|---|---|---|---|---|---|
| Washers | 4.965 | 4.459 | 4.365 | 4.248 | 4.350 |
| Dryers | 3.551 | 3.176 | 2.977 | 2.856 | 3.003 |
| Total | 8.516 | 7.726 | 7.342 | 7.104 | 7.353 |

Source: AHAM

It's hard for consumers to get very excited about home-laundry appliances.

People have been cleaning clothes for years — literally, centuries. And for centuries, doing the laundry has been looked on as a tedious chore.

Since the advent of the automatic washing machine, however, washday chores have become less tedious. As more and more people install laundry equipment in their homes, and new cleaning features for permanent-press materials, delicates, and the like make the clothes-cleaning chore easier, laundry sales keep tumbling along.

And while radical new-product excitement is rare in the laundry-appliance category, manufacturers and retailers are quick to point out that home-laundry sales (the combined total of washers and dryers) represent 25 percent or more of total major-appliance unit-sales volumes.

Laundry appliances are perhaps the appliance category least affected by the recession, and especially by the decline in new housing.

If consumers want new laundry equipment in a new home, they generally buy it themselves after they move in. And many consumers bring their old laundry equipment with them.

Laundry is a fairly mature product category. Sales volumes depend primarily on a combination of replacement sales and new household formations. Saturation of washers is somewhat higher than for dryers — about 70 percent and 55 percent, respectively. Sales and shipments of washers and dryers generally follow a 3:2 ratio.

Because market saturation is higher for washers than for dryers, and because the replacement cycle is somewhat longer for dryers than for washers, replacement sales of washers are higher.

Once a consumer owns a washer and/or dryer, laundry appliances become something he or she will not do without. If the washer breaks down, the homemaker will buy a new one, regardless of the economy. For that reason, sales of laundry equipment, although down from 1981 levels, are not down as severely as some other major appliances.

What are the prospects for the laundry-appliance market?

Over the next few years, sales of washers and dryers will expand to levels experienced in the early 1970s — washing-machine sales as high as 5.5 million units a year, dryers as high as 4 million units. In recent years, washer sales have held in the four- to 4.5-million-unit range, while dryer sales have hovered around 3 million.

Market saturation has held fairly steady over the last few years. And although a certain base of consumers will never own a washer or dryer, manufacturers say that saturation of washers will eventually reach 85 or 90 percent; dryer saturation will be only slightly lower.

In addition, the replacement cycle of

*[Continued on page 90]*

## General Electric centralizes major appliance organization

General Electric has revamped the organizational structure of its major appliance group. Separate organizational components for washers and dryers, ranges, dishwashers, and refrigerators no longer exist. Instead, manufacturing, marketing, sales, and technology are now centralized in one organization.

Roger W. Schipke, formerly vice president and general manager of the laundry and dishwasher product division, is now the group executive as senior vice president and general manager of the major appliance business group. The group staff will consist of eight executives, all reporting to Schipke.

Those members with title changes include Philip J. Dreici, now vice president and general manager, major appliance sales and service operations, who was formerly vice president of the retail sales division, James F. West, now vice president, major appliance strategic planning operation, who was formerly vice president and general manager of the range division; and Richard L. Burke, now general manager of the major appliance production division, who was formerly general manager of G.E.'s steam turbine division. ■

# Home-Laundry News

## Laundry market saturation holding steady

[Continued from page 81]

washers is estimated at only 8 to 10 years (considerably less than some appliances), so replacement sales add to the growth potential of laundry-appliance sales.

But dryer sales spin to the beat of a different drum. Since the replacement cycle for dryers is typically 12 to 15 years or longer, dryer replacement sales are smaller. But dryer saturation is growing, and manufacturers say sales could eventually approximate sales of washers.

For the short term, however, laundry sales are sluggish and will probably remain so. Because sales were so weak in the second half of 1981, year-to-year shipment comparisons should show an improvement in the second half. And year-end shipment figures could match 1981 totals. That is not much to celebrate, however, since 1981 shipments were the lowest in six years.

What are consumers looking for in today's home-laundry equipment? In most cases, replacement customers buy models with more features, or at least as many as the unit they replace.

But evidence exists that during the current recession the overall level of product mix is down. While not necessarily affecting the mix of compact, regular-size, and large-capacity models, dealers have seen a movement away from the high end of the product spectrum toward mid-line models.

Key retail price segments have shifted up from the $299 washer and $199 dryer, and seem to have settled into a range from $329 to $429 for washers and $229 to $299 for dryers.

Manufacturers say the capacity war is over. And while a couple of suppliers offer 20-lb.-capacity washers and dryers, most offer 18-lb. models as their large-capacity units. A large market does exist for large-capacity washers and dryers, but manufacturers say most of their sales are in well-featured, regular-capacity 14- or 16-lb. models.

A shift toward somewhat smaller-capacity laundry appliances seems to be taking place. Although some manufacturers deny such a trend, the increase in the number of condominiums and apartments, and the general shrinking of the size of the home, has resulted in smaller home-laundry areas.

As product saturation grows, and the number of consumers in condominiums, apartments, and small houses increases, an even greater need for smaller laundry appliances will exist. Manufacturers estimate that the compact-laundry business now accounts for as much as 10 percent of the laundry total. And over the years the proportion of compacts sold is expected to grow somewhat.

Over the last few years a notable decline has occurred in the number of laundry pairs sold. In a primarily replacement market, when a washer breaks down or wears out the consumer generally replaces only the washer, not the pair. However, because manufacturers are no longer on a model/year production schedule (like the automobile industry) the consumer has several years to buy a matching dryer.

More than 60 percent of all washers and dryers sold are white, and the proportion of white units is increasing.

What's the outlook for the laundry business? No large, pent-up demand exists for washers, as for some major appliances. So a turnaround in the economy would not have a significant immediate impact in the washer business.

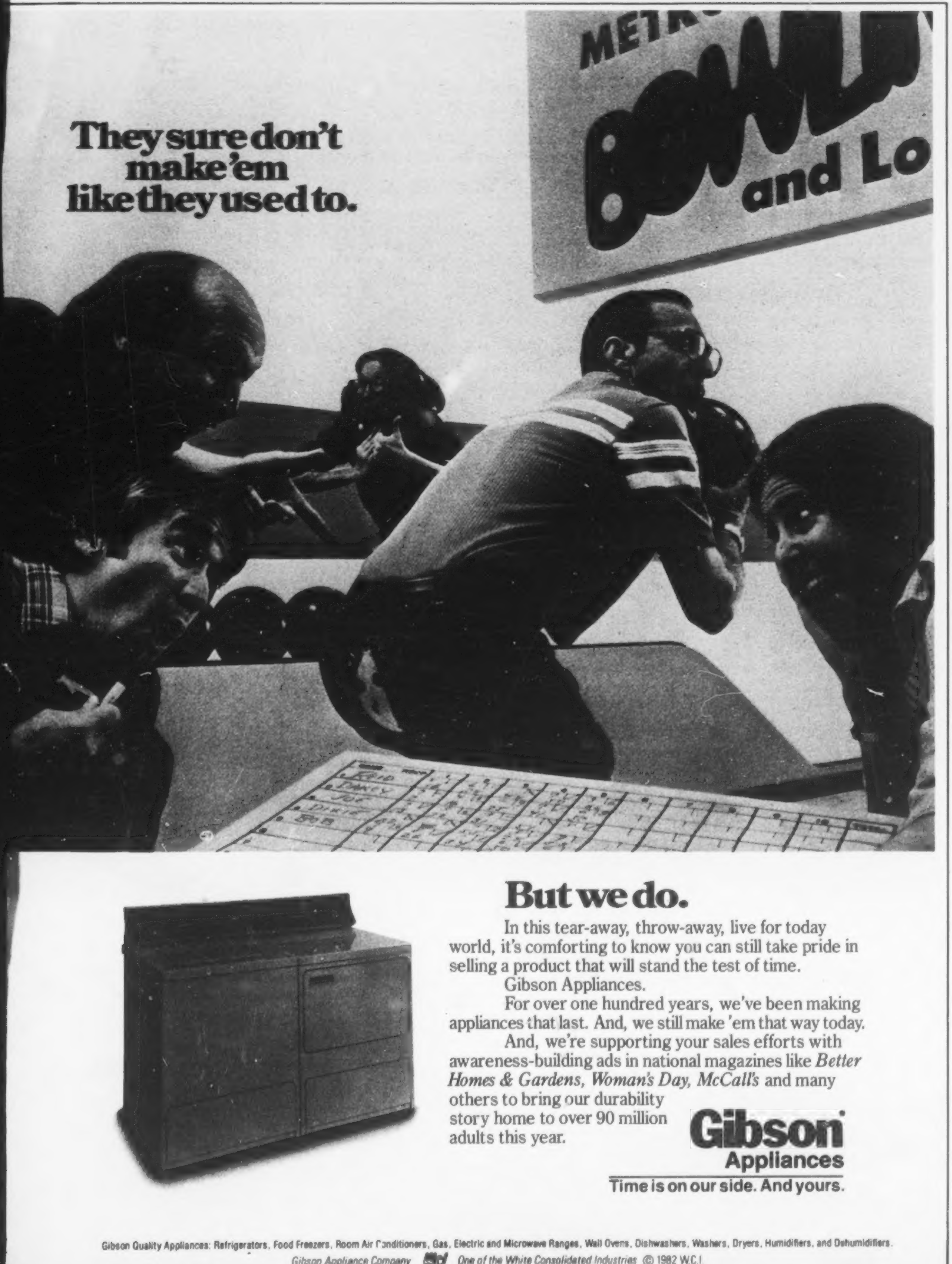
Dryers, however, are different. When a dryer wears out, some consumers may decide they can get by with hanging their clothes out to dry for a while. So somewhat of a pent-up demand does exist for dryers, and when the economy turns around, sales of dryers should improve.

The consensus among suppliers seems to be that recovery in the laundry business, as in the appliance industry as a whole, will be slow and gradual, with relative improvement throughout the rest of this year and some growth projected in 1983.

Over the next decade, it is not unreasonable to expect sales and shipments of washers and dryers to increase by 5 percent annually. The number of U.S. households is expected to increase dramatically, and a large proportion of those new households will need washers and dryers.

And while the market will remain stagnant for home-laundry sales for the remainder of the year, more than 7 million washers and dryers will be sold this year — about one out of four of the 30 million or so major appliances expected to be sold. ■

**John Foster**
Senior Editor


They sure don't make 'em like they used to.
METR
BOWL
and Lo

**But we do.**

In this tear-away, throw-away, live for today world, it's comforting to know you can still take pride in selling a product that will stand the test of time.

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